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# ‘Secret Lists and Sanctions’: The Blacklisting of the John Lewis Partnership and the Politics of Pay in 1970s Britain

## *Abstract*

In 1977, the John Lewis Partnership (JLP) was blacklisted for breaching the Labour government’s pay controls under the Social Contract. As the Callaghan administration struggled to establish economic credibility, extending its reach into the private sector emerged as a political priority. JLP became a test case of government resolve months before the Ford strike of autumn 1978 that ushered in the Winter of Discontent. This article uses JLP records to create a more nuanced picture of the tensions, contestations, and vacillations of pay policy in the late 1970s. By doing so, gaps between policy conception and implementation emerge and intersect; both the business and the government faced constraints in implementing policy, despite powerful beliefs about the integrity of their actions. The article is not primarily a case study, however, and aims to contribute to broader debates. The constitutional significance, rather than the commercial impact, of government sanctions became a keynote of critique of JLP’s blacklisting, suggesting that contemporaries recognized this was a confrontation of the political moment between the state and the private sector. By looking from a business’s perspective, we also gain insight into how organizations approached, negotiated with, and responded to the government. Recovering the JLP blacklisting episode further shows how business archives offer great promise as resources for political history.

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## I

In 1978, the John Lewis Partnership (JLP) found itself headline news not, as its late founder John Spedan Lewis might have imagined, as an exemplar of industrial democracy but as a company blacklisted for breaching government pay controls. Post-war governments had sought to freeze or restrain pay rates, whether by persuasion, admonition, or statutory force, to curb inflation and sustain full employment. To have a policy on incomes—although it was wages rather than all incomes that came under sustained discipline—was to have a vital tool in the economic toolkit, even if reluctantly implemented; nineteen incomes policies of some kind can be identified between 1945 and 1979, making such efforts ‘one of the most important and problematic features of post-war British politics’.<sup>1</sup>

The 1974 Labour government had been elected on a promise of bringing the trades union into voluntary co-operation (‘which is the only way it can be done for any period in a free society’) to ‘make the whole [incomes] policy successful’.<sup>2</sup> For both Harold Wilson and his successor, James Callaghan, incomes policy ‘commanded a large amount of policy time and the energies and imagination of those, policymakers and others, who were involved’.<sup>3</sup> The first phase of the ‘new social contract’ with the Trades Union Congress (TUC), a £6 flat cash limit, was implemented in July 1975, nine months after Wilson had secured a small Parliamentary majority through a second general election.<sup>4</sup>

The reach of government policy was, unsurprisingly, more assured in the public than in the private sector, and it was the former that saw wage restraint most consistently implemented and with greater severity throughout the post-war period.<sup>5</sup> Yet for it to be plausible that pay restraint was a matter of national interest, both public and private sectors had to observe the limits and be seen to do so. Finding levers to influence private-sector pay—to deter and to punish—was therefore vital to the political and economic integrity of Labour’s incomes policy. Sanctions on private companies would be exercised through three key mechanisms. The first was price control. The Price Commission had been established by Edward Heath’s Conservative government through

<sup>1</sup> P. Dorey, *Wage Politics in Britain: The Rise and Fall of Incomes Policies since 1945* (Brighton, 2001), 1–3. See also: R. Jones, *Wages and Employment Policy, 1936–1985* (London, 1987).

<sup>2</sup> I. Dale, ed. *Labour Party General Election Manifestos 1900–1997*, Vol. 2 (London, 2015), 188–9.

<sup>3</sup> M. J. Artis and D. P. Cobham, *Labour’s Economic Policies 1974–1979* (Manchester, 1991), 273.

<sup>4</sup> ‘The Attack on Inflation’, Cmnd 6151 (London, 1975). References to ‘phases’ below are to the annual limits set on pay increases under the Social Contract.

<sup>5</sup> A. Booth, *The British Economy in the Twentieth Century* (Basingstoke, 2001), 146.

the 1973 Counter-Inflation Act to review and, if necessary, to prevent companies increasing prices to consumers; its powers were extended and revised under Wilson and Callaghan. The government could, second, withdraw access to industrial assistance, such as subventions and export credit guarantees. Finally, it could prohibit public bodies, including the nationalized industries, from contracting with blacklisted suppliers. JLP was particularly concerned with the final restriction; local health authorities, universities, local government, and the National Coal Board were among those refusing contract renewals or rejecting tenders from the Partnership.

Blacklisting was a policy fraught with difficulties of design and implementation. Assessing the pay settlements of companies from small, local firms to major national corporations consumed the time of ministers and officials. Further, sanctions could only work if government departments ensured their dependent agencies acted as enforcers: Health and Social Security (DHSS) the hospitals, Education and Science the universities, and so on. The degree of pressure applied by departments tended to follow their ministers' personal commitment to the policy, with the DHSS under David Ennals adopting the most zealous approach.<sup>6</sup> Further, the policy sat within a voluntary framework of restraint; the government had no direct legal redress should businesses refuse to comply. What semblance of coherence remained was disrupted by the politics of pay. Some companies proved too prominent and too precarious in terms of industrial relations to sanction, the most notable being Ford. Having exceeded pay limits the previous year without penalty, a strike in the autumn of 1978 culminated in a 17 per cent increase being offered by the automotive company and accepted by the unions. It was so significant a breach of the 5 per cent norm that it could not be ignored, yet the attempt to apply sanctions only revealed how ineffective the government's levers over the private sector were.

On 13 December, a Conservative amendment declining to support the 'arbitrary use of economic sanctions' was carried by six votes, effectively placing private-sector pay outside government control. 'Tonight's vote might not be a vote of confidence but "this is it,"' Callaghan had told Labour rebels earlier in the day: 'this was "the effective end of the government"'.<sup>7</sup> His administration could now only pursue its policy of pay restraint in the public sector, and those workers had no inducement to comply. Five million working days were lost to a series of strikes in pursuit of settlements of up to 40 per cent, and the 'Winter of Discontent' of 1978–1979 has acquired an enduring place in

<sup>6</sup> 'How Shirley & Co Launched Blacklist', *Daily Mail*, 7 February 1978.

<sup>7</sup> B. Donoghue, *Downing Street Diary* (London, 2008), 400.

public, political, and academic imaginations.<sup>8</sup> A direct line is easily drawn between the Ford strike, through the Winter of Discontent, to the collapse of consensus politics and the rise of Thatcherism in textbooks, but even more nuanced accounts and scholarly reappraisals acknowledge the significance of the sanctions defeat.<sup>9</sup>

The JLP was an unlikely malefactor in this story, but the forgotten history of its blacklisting brings new shading to what can appear a straightforward account of government overreach and policy failure. From the initially courteous, later exasperated, correspondence with Treasury and Department of Employment officials from the summer of 1977, the Partnership had become a 'test case of government intentions' by February of the following year.<sup>10</sup> JLP found itself blacklisted for breaching Phase 2 of the Social Contract, with 299 clerical and secretarial and 149 specialist selling posts receiving on average £1.50 above the government limits. As a whole, the company added £27,000, or 0.002 per cent, to its paysheet.<sup>11</sup> The contravention was so small as to be ludicrous; it perfectly captured for critics and commentators the government's inability to discipline the private sector, caricatured in the *Economist* as 'a genteel spanking... behind closed doors and with trousers on'.<sup>12</sup> Comic value was added by the image of John Lewis—that familiar and trusted High Street institution—joining the government's rogues' gallery. As Peter Walker, Conservative MP and former Secretary of State for Trade and Industry, wryly put it: 'beware of any nationalised industry boss caught Christmas shopping in Peter Jones...'<sup>13</sup>

The joke, as ever, pointed to an important reality. The John Lewis controversy exposed the inconsistencies and tensions in both the conception and the implementation of sanctions policy, and with that the brittle and contingent nature of the government's credibility. The stance taken by the Partnership once the affair became public—including instructing a Queen's Counsel to advise on the constitutional significance of government sanctions—was crucial to an emerging

<sup>8</sup> J. Shepherd, *Crisis? What Crisis? The Callaghan Government and the British 'Winter of Discontent'* (Manchester, 2016), 4–5; T.M. López, *The Winter of Discontent: Myth, Memory, and History* (Liverpool, 2014).

<sup>9</sup> A. Reitan, *The Thatcher Revolution: Margaret Thatcher, John Major, Tony Blair, and the Transformation of Modern Britain, 1979–2001* (Lanham, MD, 2003); Dorey, *Wage Politics in Britain*, 167–71; Shepherd, *Crisis? What Crisis?*; Colin Hay, 'Chronicles of a Death Foretold: The Winter of Discontent and Construction of the Crisis of British Keynesianism', *Parliamentary Affairs*, 63 (2010), 446–70.

<sup>10</sup> Elliott, 'How Shirley & Co Launched Blacklist'.

<sup>11</sup> T. G. Andrews, Letter to R. Le Guen, 28 July 1977, Box 2125/a, JLP; to M. Pierson, 2 February 1978, Box 2125/a, JLP. Andrews became Director of Personnel in 1967, taking on the additional role of Deputy Chairman in 1972. He ceded the former role to S. C. May in 1978.

<sup>12</sup> 'Rule by No Law?', *Economist*, 11 February 1978.

<sup>13</sup> 'Publish Secret Sanctions List' Demands Tory', *Daily Telegraph*, 5 December 1977.

narrative of abuse of power gaining political traction. The ‘blacking’ of John Lewis set the scene in important ways for the confrontation and crisis that defined the final stages of the Callaghan government.

JLP’s distinctive arrangements and organizational culture made it a compelling case at the time, and the company has continued to draw the attention of politicians, journalists, and academics.<sup>14</sup> On taking managerial control of Peter Jones in 1914—a drapery business acquired in 1905 by his father John Lewis, Senior—Spedan Lewis began his ‘experiment in industrial democracy’.<sup>15</sup> Over the following years, he brought in shorter working days, increases in paid holiday, a representative staff council, an internal newspaper, and profit-sharing through Partnership Benefit. The written Constitution of the JLP, first published in 1928, gave its ultimate purpose as ‘the happiness of all its members, through their worthwhile and satisfying employment in a successful business’; those members were, and remain, Partners, never ‘staff’ or ‘employees’.<sup>16</sup> The Partnership was legally formed in 1929 following the signing of the First Trust Settlement and the transition to employee ownership and what Spedan termed ‘producer co-operation’ was completed in 1950.

The Partnership had submitted copies of its Constitution as part of a response to the Committee of Inquiry on Industrial Democracy convened by Wilson in December 1975, which reported early in his successor’s premiership.<sup>17</sup> To then blacklist an exemplar of worker ownership and participation seemed incongruous. The company’s ‘social responsibility... is well known to the public and its customers’, argued Kenneth Baker, taking the opportunity to speak as constituency MP for the Oxford

<sup>14</sup> The political appeal of JLP is demonstrated well by speeches given three days apart during the 2010–2015 coalition government by the Liberal Democrat Deputy Prime Minister Nick Clegg and Conservative Prime Minister David Cameron. The Partnership model as a conciliation of markets and social good could be invoked to detoxify big business following the economic crash of 2008 but also to suggest the agenda-changing potential of the coalition project itself: Nick Clegg, ‘Speech to City of London Corporation and the Centre Forum Thinktank’ (16 March 2012); David Cameron, ‘Speech on “Moral Capitalism” at New Zealand House’ (19 March 2012). Scholarly interest in JLP has tended to come from sociology and economics: Keith Bradley and Saul Estrin, ‘Profit Sharing in the British Retail Trade Sector: The Relative Performance of the John Lewis Partnership’, *The Journal of Industrial Economics*, 40 (1992), 291–305; Derek Matthews, ‘The British Experience of Profit-Sharing’, *The Economic History Review*, 42 (1989), 439–64; A. D. Flanders, R. Pomeranz, and J. Woodward, *Experiment in Industrial Democracy: A Study of the John Lewis Partnership* (London, 1968), was commissioned by the Partnership as part of the 1964 jubilee celebrations. Written for a general readership: C. Kennedy, *The Merchant Princes: Family, Fortune and Philanthropy; Cadbury, Sainsbury and John Lewis* (London, 2000).

<sup>15</sup> J. S. Lewis, *Partnership for All* (London, 1948).

<sup>16</sup> The 2018 change of name to ‘John Lewis and Partners’ for the department stores (‘Waitrose and Partners’ for the grocery chain) accompanied by a major advertising campaign, draws attention to the distinctive orientation of the company.

<sup>17</sup> John Lewis Partnership Ltd. ‘Industrial Democracy Committee: Evidence from the John Lewis Partnership Ltd.’ (1976), Box PJ 11/201, TNA.

Street store during a Commons debate on government powers: 'It is extraordinary that a company of that standing, status and background should be driven to the position to which it has been driven by Government policy.'<sup>18</sup> Yet the very reasons JLP served as a useful and prominent exemplar for contemporary commentators and critics may also explain why it subsequently slipped from view. Not only was the breach a minor one, but it came from the relatively quiescent retail sector.<sup>19</sup> USDAW, representing shopworkers, was a small and a 'good union', in the words of Callaghan's adviser, Bernard Donoughue. Less government energy was expended on its affairs—and it has received less attention from historians and others—than, for example, the 'barmy' TGWU, then Britain's largest with two million members.<sup>20</sup>

To recover the John Lewis blacklisting episode is not merely to add an interesting case study from an unexpected source, however. The government's attempt to apply economic sanctions to back an ostensibly voluntary policy—the 'Sergeant Major's idea of volunteering' in the words of the Partnership's Director of Personnel—suggests the value of looking at the private-sector side of incomes policy beyond the hegemonic allure of the Ford strike. Individual companies may not have been 'governing institutions' in the way that employers' associations, such as the Confederation of British Industry (CBI), or the trades union were in Middlemas's analysis—co-opted into the function of government as a way of conciliating potentially conflicting agendas to the national interest.<sup>21</sup> Yet, building on the insights of McCarthy and Thane on voluntary associations, we can recognize how individual private businesses moved outside corporatist structures to engage in policy dialogue.<sup>22</sup> John Lewis is one example of a company that did not work extensively through the CBI or the Retail Consortium but pursued its own relations with government and with receptive backbench Members of Parliament (MPs). As the article will show, these efforts were not narrowly conceived as protecting the Partnership's commercial position but often framed in terms of democratic principle, constitutional propriety, and public good.

<sup>18</sup> Kenneth Baker, 'Speech: Commons Debate on Pay Policy (Government Powers)', (7 February 1978), 1308–11.

<sup>19</sup> J. Elliott, *Conflict or Cooperation? The Growth of Industrial Democracy* (London, 1978), 125.

<sup>20</sup> Donoughue, *Downing Street Diary*, On USDAW (Union of Shop, Distributive and Allied Workers), 23; on TGWU (Transport and General Workers' Union), 369. Both unions recruited at JLP with the acquiescence of senior managers, although the latter were concerned throughout this period that the Partnership system be seen to offer more to Partners than did the trades union to members (discussed further below).

<sup>21</sup> K. Middlemas, *Politics in Industrial Society: The Experience of the British System since 1911* (London, 1979).

<sup>22</sup> Helen McCarthy and Pat Thane, 'The Politics of Association in Industrial Society', *Twentieth Century British History*, 22 (2011), 217–39.

For these reasons, the study speaks to a number of fields of interest beyond the immediate frame of reference provided by post-war incomes policies, the Social Contract, and the Wilson–Callaghan governments, all of which have continued to receive attention from historians of contemporary Britain, labour relations, and economic policy.<sup>23</sup> Shifts in ideas about the role and reach of the state during the twentieth century—from ‘liberal laissez-faire... to active state intervention at mid-century’—make attempts to control the private sector of relevance to histories of government, governance, and policymaking.<sup>24</sup> This work includes the rhetorical dimensions of the exercise of political power, most notably in Tomlinson’s recent publications.<sup>25</sup> Rhetorical strategies are also the concern of management and organization scholars analysing how companies define and promulgate corporate identity, manage reputations, and secure commitment, both internally and externally.<sup>26</sup> History and organization studies may remain ‘uneasy bedfellows’, yet there is much productive work to be done to locate businesses within historical frameworks and to integrate history’s modes of thinking with social-science approaches to analysing company cultures, practices, and processes.<sup>27</sup>

In mapping the connectivities of any study, we should be alive to the ways in which scholarly concerns interact with those of constituencies beyond our borders. Of particular relevance here is how the 2008 financial crisis and its legacies have brought the 1970s back into view. Historians have started to reassess a decade characterized as ‘dismal

<sup>23</sup> Peter Dorey, ‘From a “Policy for Incomes” to Incomes Policies’, in *The Labour Governments 1964-1970* (Manchester, 2006); Glen O’Hara, ‘“Planned Growth of Incomes” or “Emergency Gimmick?” The Labour Party, the Social Partners and Incomes Policy, 1964-70’, *Labour History Review*, 69 (2004), 59–81; Chris Rogers, ‘From Social Contract to “Social Contrick”: The Depoliticisation of Economic Policy-Making under Harold Wilson, 1974–75’, *The British Journal of Politics and International Relations*, 11 (2009), 526–43; K. Hickson and A. Seldon, *New Labour, Old Labour: The Wilson and Callaghan Governments 1974-1979* (London, 2004).

<sup>24</sup> N. Crafts, I. Gazeley, and A. Newell, eds, *Work and Pay in 20th Century Britain* (Oxford, 2007), 2.

<sup>25</sup> Jim Tomlinson, ‘British Government and Popular Understanding of Inflation in the Mid-1970s’, *The Economic History Review*, 67 (2014), 750–68; J. Tomlinson, *Managing the Economy, Managing the People: Narratives of Economic Life in Britain from Beveridge to Brexit* (Oxford, 2017).

<sup>26</sup> See for example: Dennis A. Gioia, et al., ‘Organizational Identity Formation and Change’, *The Academy of Management Annals*, 7 (2013), 123–93; Davide Ravasi and Majken Schultz, ‘Responding to Organizational Identity Threats: Exploring the Role of Organizational Culture’, *Academy of Management Journal*, 49 (2006), 433–58.

<sup>27</sup> Anna Greenwood and Andrea Bernardi, ‘Understanding the Rift, the (Still) Uneasy Bedfellows of History and Organization Studies’, *Organization*, 21 (2014), 907–32; Mike Zundel, Robin Holt, and Andrew Popp, ‘Using History in the Creation of Organizational Identity’, *Management and Organizational History*, 11 (2016), 211–35; Martin Parker, ‘Contesting Histories: Unity and Division in a Building Society’, *Journal of Organizational Change Management*, 15 (2002), 589–605.

and benighted' and to recast portrayals of its political leaders.<sup>28</sup> Given the prominence of incomes policies to the political landscape of this decade, histories of business surely have important contributions to make to these efforts. Yet these reappraisals and fresh perspectives are more than academic exercises; they are in conversation with public uses and imaginations of the past.<sup>29</sup> Memories of the 1970s are being evoked, invoked, and reinterpreted, often serving in media coverage and political argument to underpin a diagnosis of and response to a disordered present; by engaging actively with this 'presence of the past', historians can help inform public debate and policy thinking.<sup>30</sup> 'Policy' can be read here as the administration of organizations as well as of the state. The project of which this article is a part has been collaboratively designed to feed into pay policy discussions within JLP itself. For this purpose, a business history in celebratory mode is unsatisfactory; it is in understanding that complex and shifting interplay between commercial priorities and government interventions, between company philosophies and practical pressures, between openness and secrecy—among many others—that the potential for insight lies.

The study aims to do more, however, than to show the value of using an individual company's records for understanding the tensions, contestations, and vacillations of pay policy during the 1970s. It also suggests there is potential for integrating business archives more systematically into historical research. Business history gives us purchase on a full range of social, cultural, and moral, as well as political and economic, questions, and so, for Daunton, 'should not be left to business historians...changing attitudes to corporate form and responsibilities, and the relationship between the firm and urban society are central to understanding modern Britain'.<sup>31</sup> As Greenwood and Ingram have recently argued, company archives are too often overlooked or dismissed by social and cultural historians, 'pigeonholed as too self-serving of the businesses they represent, difficult to access, or thought to be too dry in terms of their holdings'.<sup>32</sup> Political history has,

<sup>28</sup> L. Black, H. Pemberton, and P. Thane, eds, *Reassessing 1970s Britain* (Manchester, 2015), 2; in addition to previously cited works, see also: S. Ball and A. Seldon, *The Heath Government 1970-74: A Reappraisal* (London, 2014).

<sup>29</sup> The 1970s has received new attention in popular histories, for example: A. Beckett, *When the Lights Went Out: Britain in the Seventies* (London, 2009); A. W. Turner, *Crisis? What Crisis? Britain in the 1970s* (London, 2009).

<sup>30</sup> A. R. Green, *History, Policy and Public Purpose: Historians and Historical Thinking in Government* (London, 2016).

<sup>31</sup> Martin Daunton, 'The Future Direction of British History: Thinking About Economic Cultures', *History Workshop Journal*, 72 (2011), 225. From a US perspective see: Linda Edgerly, 'Business Archives Guidelines', *The American Archivist*, 45 (1982), 267–72.

<sup>32</sup> Anna Greenwood and Hilary Ingram, Sources and Resources. 'The People's Chemists': The Walgreens Boots Alliance Archive', *Social History of Medicine*, 31 (2018), 857–69.



similarly, much to gain from reframing assumptions and misperceptions about business archives. If we are interested in the reach and operation of government, then we can usefully attend to how organizations sought to influence, advance, divert, or restrain policy agendas.

The Partnership's archive and heritage centre contain the rich collections of a business invested in its own past.<sup>33</sup> The emphasis on openness and mutual obligations within the company ensured that the Partnership created documents with a notable level of candour and detail, including minutes and memoranda that are far from dry and formulaic.<sup>34</sup> Significant for this study is that boxes on the blacklist were created at all, involving as it did the collation of documents that would otherwise never have been filed, or read, together. These include extracts from the company newspaper and democratic organ, the *Gazette*; minutes of Principal Executive Committee meetings; internal memoranda and briefings for managers; correspondence with government departments, the Price Commission, MPs, and others; legal advice; clippings from newspapers and Hansard, as well as transcripts from TV and radio coverage.

Efforts to research the blacklisting are, of course, limited to the documents that were selected for retention; there are gaps and silences in the archives, one of which is how 'ordinary' Partners understood and responded to their company's blacklisted status.<sup>35</sup> Yet the selectivity of the records and the privileging of executive perspective function as both caveat and catalyst for this study. As the article will show, the idea of the 'blacklist' acquired a political valency that shaped conduct and concerns in Parliament and the Partnership even as clear disjunctures between the principles at stake—on both sides—and the implementation of the policy emerged. The blacklist boxes exist for historical study today because, for the company leadership, the affair impinged on the integrity of the Partnership system (even if Partners appear not to have seen it as a matter of such consequence). By recovering this lost

<sup>33</sup> The archive was established in 1964 as part of the Partnership's jubilee—50 years since Spedan Lewis beginning his 'experiment in industrial democracy' at Peter Jones (also the centenary of the original Oxford Street store opened by John Lewis, Senior): E. Shepherd, *Archives and Archivists in 20th Century England* (Farnham, 2016), 117.

<sup>34</sup> 'I am personally accountable to 25,000 Partners', Andrews argued when complaining of the Treasury's dilatory handling of correspondence.

<sup>35</sup> On gaps and silences in business archives, see: Stephanie Decker, 'The Silence of the Archives: Business History, Post-Colonialism and Archival Ethnography', *Management and Organizational History*, 8 (2013), 155–73. A small number of Partners exercised their right to submit anonymous letters to the *Gazette* about the blacklist; eighteen were printed in February 1978, the month John Lewis became headline news, but only seven letters were received during the subsequent eleven months of JLP's business year. Over this period, more than 300 Partners in total wrote to the *Gazette*, the majority of whom sent a single letter. On the role of journalism in the Partnership and on the value of anonymity, see: Lewis, *Partnership for All*, ch. xxxv.

significance, we open up a new point of access on a complex interplay of arguments that extended beyond calculations of wage settlements or inflationary trends into larger debates about the exercise of government power and the accountabilities of the private sector.

## II

The balancing of obligations to the government, the business, and their staff was a long-standing challenge for the JLP executive. Spedan Lewis certainly felt the tug of loyalty to country. He and his successor as Chairman O. Bernard Miller recognized the claims of successive governments to be working in the national interest when they sought to control inflation through pay restraint during the post-war decades. At the same time, they had to find ways to retain good Partners and preserve principles of fairness 'between workers of different kinds'; the Partnership 'could not carry its own patriotism to the length of letting itself be outbid' in pay rates (at least by 'ordinarily good employers').<sup>36</sup>

By the end of the 1960s, the company leadership could look back with some measure of satisfaction at having managed these competing imperatives through difficult times. The Partnership had come through the combination of a six-month freeze and a further six months of 'voluntary' Severe Restraint following the 1966 Prices and Incomes Act 'with remarkably little difficulty'. An exercise to raise the paysheet in 1965 had ensured that rates were 'in advance of those of our competitors when the freeze was imposed'.<sup>37</sup> Provisions for permissible increases in the 1966 White Paper were then applied by JLP with the 'greatest elasticity and flexibility with which it could be interpreted' to ensure fidelity to its own pay policy.<sup>38</sup> At the core of this policy was the reward of performance. The formula of paying 'the full, local, commercial rate and as much above that as can be justified by performance' had been crystallized in a new version of the Partnership Rules (a section of the company's written Constitution) in 1965. It was also, however, the formula that was to bring the JLP into conflict with the Wilson–Callaghan government.

The balancing act acquired new dimensions of difficulty from the turn of the decade. By the time Heath's Conservatives won the general election in June 1970, the Partnership executive had already detected a

<sup>36</sup> Chairman (J. S. Lewis), 'Transport Pay. Your Memorandum 45379', *The John Lewis Partnership Chronicle for Bon Marche*, 1 August 1949, 302.

<sup>37</sup> Director of Personnel, 'Routine Report for Your Conference on 31st May, 1967. Pay Freeze and Period of Severe Restraint', ref. P/54,967 (26 May 1967), Box 2839/iv, JLPA.

<sup>38</sup> Minutes of 608th Principal Executive Committee, (1 December 1966), Box 2839/d, JLPA. The minutes note (paragraph 17,756) that increases were permissible for promotion, substantially enhanced responsibility, and, in exceptional circumstances, 'to attract or retain manpower or on grounds of comparability to correct a gross anomaly'. See: 'Prices and Incomes Standstill: Period of Severe Restraint', Cmnd 3150 (London, 1966).

swift and significant 'change in climate of pay'. The Chairman expressed anxiety that the situation was 'moving too rapidly elsewhere' to wait until the company's annual review of pay in September; JLP should no more be undersold in pay rates than in selling prices.<sup>39</sup> This concern was partly a long-standing one about competition for staff with companies such as Marks & Spencer. An increasingly confident USDAW operation was a new factor, however, the union having secured a pay settlement with the Cooperative Wholesale Society. It was, as the Chairman put it: 'of the utmost importance that the Partnership should not be open to the criticism that Unions can do better for their members'.<sup>40</sup> Particular emphasis was placed on improving women's pay to a £14 minimum in the period immediately after the 1970 Equal Pay Act was passed, efforts that tended to be framed in terms of raising the status of the drapery trade relative to other sectors or of upholding JLP's ethos and morale.<sup>41</sup>

Executives had far less control, of course, over government policy than company strategy. The archives contain no record of correspondence between JLP and the Heath (or, later, the Wilson) administration, yet internal documents show the Partnership maintaining its cautious but confident approach to compliance. Stage 2 of Heath's programme, for example, stipulated that the increases should not exceed £1 per head per week plus 4 per cent of the average pay bill per head. It was a rigid policy, with little scope for fairness or unfairness in its application, as Barbara Wootton—the sociologist, Labour life peer, and early analyst of wages policy—argued in 1974.<sup>42</sup> Nonetheless, the Partnership found room for manoeuvre. The average wage bill calculation was, as the Director of Personnel explained in an internal memorandum, 'pretty meaningless' in the retail sector, with seasonal variations in staffing and a large part-time workforce. The company therefore created a central pool consisting of 90 per cent of the maximum allowable increase for all staff paid less than £3,000, from which increases could be granted. This approach mitigated the risk of an inadvertent breach, while also cultivating the organizational narrative of pay for performance.<sup>43</sup>

<sup>39</sup> Chairman (O. Bernard Miller), Memorandum to General Secretary, 27 May 1970, Box 2938/£, JLPA.

<sup>40</sup> Chairman (O. Bernard Miller), Memorandum (extract) to General Secretary, 10 June 1970, Box 2938/£, JLPA.

<sup>41</sup> See: Director of Personnel, Memorandum to General Secretary (for Principal Executive Committee), 10 May 1971, Box 2839/£, JLPA; 'Minutes of 22nd Meeting of the Principal Executive Committee', (20 May 1971), Box 2839/£, JLPA. '[T]he Partnership had from time to time acted in the pay field because it thought something was right rather than because of the competitive situation': Minutes of 23rd Meeting of the Principal Executive Committee, (27 May 1971), Box 2839/£, JLPA.

<sup>42</sup> Barbara Wootton, *Incomes Policy: An Inquest and a Proposal* (London, 1974), 71.

<sup>43</sup> Director of Personnel, Memorandum to All Spending Officers, 'Partnership Policy and Administration during Phase Two', 2 March 1973, Box 2839/£, JLPA.

The Partnership initially made accommodations of government policy with relative ease, yet the efforts of the new Conservative administration first to withdraw from regulating private sector pay, then to seek a tripartite agreement with the TUC and CBI—Heath's famous 'U-turn'—and finally to impose statutory controls, provided an increasingly unsettled climate for the Partnership. Most notable among the emerging concerns was how government intervention circumscribed the Partnership's capacity to set its own agenda for pay. For JLP, this was particularly troubling and disruptive; the rewards of Partnership—seen in the round as take-home pay, the distribution of profit through Partnership Benefit (as requested before, this is a specific amenity awarded in the company), and other 'amenities' such as subsidized holidays—were central to the company's sense of itself.

Differentials based on merit, that is, the use of pay to recognize performance, had emerged as the key precept of Partner reward.<sup>44</sup> It may have been a fiction that a large, hierarchical organization in a low-wage sector can have a 'range of pay... as wide as the range of ability', but this was nonetheless an expression of a powerful ideological commitment.<sup>45</sup> As government policy began to impinge on the company's ability to pursue this approach, it became a matter for serious and sustained debate at the highest level of the business. Government policy changes took up management time and reams of paper were expended to cascade information through the network of branches. Yet it was not the policies themselves—whether threshold payments or caps on pay rises—that were the principal source of executive concern. The Partnership was in a solid financial position and amenable to calls for restraint on both prices and wages.<sup>46</sup> What preoccupied senior managers was *how* to comply. Answering that question involved balancing a number of conflicting imperatives: to follow the spirit as well as the letter of the law, to deal fairly with staff at different levels, to maintain competitive position, and to uphold the rule of paying market rate plus performance. Overlaying these concerns was the need to explain their decisions to constituencies inside and outside the business through narratives that conveyed and affirmed the integrity of those decisions and so that of the Partnership itself.

The complexity of compliance for JLP is shown, for example, in executive efforts to manage the effects of successive incomes policies on

<sup>44</sup> Managers graded Partners annually from Grade 1 ('exceptional') to Grade 6 ('poor'), with Grade 4 ('meets job requirements') regarded as the local market rate. For those on Grades 2–4, the achievement of targets offered 'scope for further advance'; for those 'few who reached Grade 1 there would be unlimited scope': Partnership Pay Review System, 17 July 1974, Box 2839/d, JLPA.

<sup>45</sup> Important Aspects of Personnel Policy, 1973–4. Box 577/f, JLPA. 'Pay policy' (2 January 1974), paragraph 3.

<sup>46</sup> Minutes of the Central Board (Extract) (26 October 1972). Box 2839/d, JLPA.

pay differentials between groups of Partners from 1972. Subsequent analysis has pointed to a steady decline nationally in differentials over the decade; the volume of complaint did not always align with actual changes in wage distribution, but the concern was nonetheless 'real and widespread'.<sup>47</sup> The erosion of differentials, actual or perceived, as a consequence of government policy was problematic from the company's perspective. The policy of pay for performance allowed a wide pay range to exist within a business owned by its members without major ideological compromise. Any policy involving flat cash elements (under Heath, 'threshold' payments triggered by increases in the Retail Price Index, or the £6 limit under Phase 1 of Wilson's Social Contract) acted to compress differentials to the benefit of the Partnership's lower-paid 'rank and file'.<sup>48</sup> From a managerial perspective, however, the provision undermined the company's own system of performance review and reward. At the other end of the payscale, the company faced commercial pressures to attract and retain 'high-calibre people', for whom there was less scope for increased remuneration within the constraints of national policy.<sup>49</sup> 'Fairness' was inescapably a contingent notion—even within a Partnership—and government controls exposed and exacerbated the difficulties of maintaining this fragile conciliation of equity and hierarchy.

It was a balance that required the business to delineate careful explanations for the policymakers implementing wage controls. The Partnership was, according to its own records, one of four firms in breach of Phases 1 and 2 of the Social Contract. The first breach, in 1976, concerned ninety-seven of the highest-paid Partners, whose salaries of over £5,000 were reviewed centrally rather than at branch level; the majority of staff involved in the second—for which the company was blacklisted in 1977–8—were clerical and secretarial. In both cases, the company was effectively arguing for a disregard. Defending the breach of Phase 1, the company Secretary insisted there was no pay 'settlement' in JLP for groups of employees, as would have been familiar to Price Commission staff from unionized workplaces. The pay awards were presented in terms of correcting anomalies, ensuring comparability, and rewarding performance; the company was willing to show 'deference to the Government's anti-inflation policy' but had limited tolerance for the 'serious disadvantage to the Partnership' that was being incurred.<sup>50</sup> No action was taken by the government in response to this initial breach, which amounted to

<sup>47</sup> W.H. Fishbein, *Wage Restraint by Consensus: Britain's Search for an Incomes Policy Agreement, 1965-79* (London, 1984), 184–5.

<sup>48</sup> 'Rank and file' was the company term in use at the time.

<sup>49</sup> Director of Personnel to General Secretary for Members of PEC, 7 December 1976, Box 2839/d, JLP.

<sup>50</sup> Secretary (B. E Dickinson), Letter to Price Commission Secretary, 9 June 1976, Box 2839/f, JLP.

£30,000, yet the second, smaller, breach was pursued attentively by officials and became headline news. Seeking to explain this escalation is the task to which the article now turns.

Callaghan had initially claimed the blacklist was a 'figment of media imagination' in an interview for *The World This Weekend* on New Year's Day 1978. By February, however, an irresistibly ominous image of a shadowy Cabinet sub-committee had taken shape, despite careful ministerial footwork on the issue of secrecy in Commons debates.<sup>51</sup> Indeed, the prospect of a clandestine blacklist was never knowingly underplayed in the press. 'We remember how the stench of Watergate came, in part, from the covert use of Government powers against recalcitrant citizens' was the strident note sounded in one article clipped by John Lewis at the time. The *Sun* was not to be outdone in drawing historical parallels; a 7th February headline denounced 'The morality of Mussolini', while the *Star Chamber* provided the *Telegraph's* preferred metaphor.<sup>52</sup> The keynotes of the critique were twofold: that the secret blacklist avoided Parliamentary scrutiny and that the discretionary application of sanctions on a voluntary policy undermined the rule of law. The Leader of the Opposition, Margaret Thatcher, had taken this line of attack in early 1976, presenting the Social Contract as a violation of the Constitution; a future Conservative government promised a return to true Parliamentary democracy.<sup>53</sup>

In the case of John Lewis, the secrecy of the blacklist extended to the company itself. The question of JLP's status was first posed in a letter printed in the *Gazette* on 26 November 1977 from 'An Interested Partner' who had been told of the blacklisting by a local authority employee. The Director of Personnel responded: 'If such a list exists, and if the Partnership appears on it, we would expect to have been informed officially by a Government department...we would have protested most vigorously because in our opinion there is no valid reason for any form of sanction against the Partnership'.<sup>54</sup> The proposed response, drafted 5 days previously, dismissed the letter as

<sup>51</sup> 'Secret Committee That Runs the Pay Policy', *The Times*, 6 January 1978; 'Government Blacklist of Companies in Breach of the Incomes Policy Continues to Grow', *The Times*, 9 October 1978; Elliott, 'How Shirley & Co Launched Blacklist.' Bernard Donoghue refers in passing to EY(P) as the Cabinet committee on prices (rather than pay): Donoghue, *Downing Street Diary*, 404. Callaghan mentions a Cabinet sub-committee for pay policy meeting 'at least twice a week for several hours' by the winter of 1977: J. Callaghan, *Time and Chance* (London, 1987), 472.

<sup>52</sup> 'Blacklist Justice', *Daily Telegraph*, 6 February 1978.

<sup>53</sup> Margaret Thatcher, 'Speech to Conservative Trade Unionist Conference', (28 February 1976); Robert Saunders, "'Crisis? What Crisis?" Thatcherism and the Seventies', in Ben Jackson and Robert Saunders, eds, *Making Thatcher's Britain* (Cambridge, 2012), 34.

<sup>54</sup> Letter and response printed in *Gazette*, 26 November 1977, 1,003. Letter dated 17 November.

'recounting local tittle tattle',<sup>55</sup> but a memo from the Managing Director of Jessops in Newcastle confirming the debarring of the firm from a National Coal Board contract appears to have intervened.<sup>56</sup> Enquiries with the Treasury extended into the New Year without resolution; the Partnership eventually broke silence with a statement in the *Gazette* on 4 February (with copies sent to Baker as a local MP and to a Treasury official), in which the company announced it was seeking legal opinion on the government sanctions.

Internal documents from the same period suggest that neither lost business nor reputational damage was a serious concern. Exclusion from public sector contracts appears to have been an isolated occurrence at this point. Being blacklisted was of 'little importance... commercially' and may even have had reputational benefits. Customers called and sent letters of support. The *Financial Times* named Chairman Peter Lewis 'Man of the Week' 4 days after the first major Commons debate on pay policy, noting the 21 per cent increase in department store sales over the corresponding week in 1977.<sup>57</sup> In this context, the instruction of Counsel is an interesting step. Advice was requested from Anthony Leggatt, QC on the release of secret directives sent to public bodies to implement the blacklist, the potential for action by the Price Commission, and the legal redress available to the company.<sup>58</sup> The instructions also, and most notably, sought advice on the broader constitutional legitimacy of government sanctions.

The Counsel's opinion carried the same rhetorical charge as Parliamentary debate and political commentary: 'This usurpation of power by the Executive is of profound constitutional significance. If permitted, it will enable the Government of the day to enforce its party policies under the pretext of national interest without recourse to Parliament'. Leggatt advised that Parliament—and not the courts—provided the only real 'solution' to the 'abuse of power' the sanctions represented: 'it should not be necessary for individual Companies to champion the constitutional cause of preventing it'.<sup>59</sup> In framing its involvement in the blacklist controversy in terms of challenging constitutional impropriety, the Partnership drew on an emerging public narrative of government misconduct and overreach—but also on long-standing preoccupations within the company itself. In 1949, the Partnership Council voted to allow those with a 'preference for

<sup>55</sup> Finance Director, Memorandum to Chairman, 21 November 1977, Box 2839/f, JLPA.

<sup>56</sup> Jessops Managing Director, Memorandum to Director of Trading (Department Stores), 24 November 1977, Box 2839/f, JLPA.

<sup>57</sup> 'John Lewis Trade Boost' in *Financial Times*, 11 February 1978.

<sup>58</sup> John Lewis Partnership Legal Department, Letter to QC Andrew Leggatt, February 1978, Box 2839/f, JLPA.

<sup>59</sup> Counsel's Opinion on the pay blacklist situation, 9 February 1978, Box 2125/b, JLPA. Extract appeared in the *Gazette*, 18 February 1978, 47.

totalitarianism' to continue their membership only 'so long as they did not use it to work within the Partnership for any form of totalitarianism in the national government'.<sup>60</sup> Rule 49, which remained in effect until 2000, focused on 'harm to the Partnership's internal atmosphere or external reputation' rather than the overthrow of the Parliamentary system.<sup>61</sup> Yet the two were connected, at least for Spedan Lewis, who had perceived the Partnership as involved in and committed to the struggle to preserve British democracy. The subtitle to his second book, *Fairer Shares* (1954)—'a possible advance in civilisation and perhaps the only alternative to Communism'—indicates where his anxieties lay.<sup>62</sup>

Counsel's Opinion, which rejected the government's appeal to the national interest in imposing sanctions as 'the justification of totalitarianism... the knell which the bell of repression tolls', resonated with this line of thinking.<sup>63</sup> There is no evidence that company executives saw their actions as having direct political import, yet by (publicly) rendering the legal advice a matter of constitutional propriety and democratic principle, the company lent greater apparent cogency to narratives critical of the government. Blacklisting was, of course, only one story among many in the spring and summer of 1978—violence in Northern Ireland, disintegration of the Lib-Lab Pact, and precarious Social Contract negotiations with the TUC, among others—but it was a story that served to nourish ideological opposition to Labour in the months before the critical sanctions vote of December 1978 and then the general election the following May.<sup>64</sup>

The decision to extend private-sector sanctions beyond the high point of public controversy in February—and to withhold information on blacklisted firms despite a Speaker's ruling to the contrary<sup>65</sup>—points to the complex political difficulty the administration was facing. The constitutional challenge threatened the integrity of a national pay policy, but the government could not be seen to apply the discipline of restraint only to the public sector. Indeed, the blacklisting controversy

<sup>60</sup> J. S. Lewis, *Fairer Shares: A Possible Advance in Civilisation and Perhaps the Only Alternative to Communism* (London, 1954), 168.

<sup>61</sup> For the version in effect during the blacklisting: *The Constitution of the John Lewis Partnership*, (London, 1973), 34.

<sup>62</sup> The title of this article, which came from a Partner's letter to the *Gazette*, reflects these anxieties: 'Secret lists and sanctions it seems to me put this Government fairly and squarely in the same bed as the Communists': Letter from 'McGork', *Gazette*, 11 February 1978, 32.

<sup>63</sup> Extracts from the Opinion were printed with comments from JLP's Legal Adviser: Pay guidelines, *Gazette*, 18 February 1978, 47.

<sup>64</sup> The submission of a pastiche of Leigh Hunt's *Abou Ben Adhem* to the *Gazette* suggests that at least some Partners followed this line of argument. The final lines read, 'Is there no remedy to purge this hate?/ Must everlasting blackness be our fate?/ What can we do? Nothing it seems unless/ The state itself be changed and will redress': Letter from 'Perplexed Partner', *Gazette*, 10 June 1978, 440.

<sup>65</sup> 'Blacklist Secrecy to Stay', *Observer*, 5 February 1978.



was a threat to Callaghan partly because it exposed a fundamental tension within his administration about the stance of a Labour government towards business. The 1974 White Paper, *The Regeneration of British Industry*, had set a conciliatory tone: 'We need both efficient publicly owned industries, and a vigorous, alert, responsible and profitable private sector, working together with the Government in a framework which brings together the interests of all concerned'.<sup>66</sup> The impetus had come from Wilson himself; Tony Benn may have been Secretary of State for Industry, but the White Paper was drafted not by his Department but by the No. 10 Policy Unit. It signalled a shift in policy imperatives from the advance of state control over private enterprise to the pragmatic pursuit of a mixed market economy.<sup>67</sup> At the same time, however, the government had to manage a fragile Social Contract and be seen to deal equitably and cooperatively with the trades union.

A lesson learned from Wilson's first administration (1964–70), perhaps, was the consequences to political credibility and public confidence of apparent arbitrariness in the enforcement of incomes policy. By 1971, Hugh Clegg—who had served on both the Donovan Commission on industrial relations and the National Board for Prices and Incomes, set up in 1965—had written the uncompromising post-mortem. Selecting a few companies for 'exemplary treatment' while leaving the worst offenders untouched had, he argued, 'served only to swell the general feeling that the policy was unfair'.<sup>68</sup> Callaghan would later face similar charges of procedural impropriety during the blacklisting episode. He was subject, however, to a more clearly articulated critique than his predecessor had been, involving both 'political chicanery' (to borrow Clegg's term) in the application of sanctions and suggestions of inconsistency or incompetence within his administration. In the autumn of 1977, the phase three 10 per cent maximum was contravened by Ford, Vauxhall, and Otis, who joined a 'whitelist' of companies known to be in breach but not subject to sanctions.<sup>69</sup> The *Telegraph* called 'political jobbery' on the Ford's decision, as it followed a commitment on the part of the company to build a £180-m plant not far from Callaghan's constituency in South Wales.<sup>70</sup> In the Parliamentary debates on counter-inflation policy over the winter 1977–8, MPs across the House challenged disparities in the application of sanctions. The Liberal MP John Pardoe talked of 'the

<sup>66</sup> 'The Regeneration of British Industry', Cmnd 5710 (London, 1974).

<sup>67</sup> Hickson and Seldon, *New Labour, Old Labour: The Wilson and Callaghan Governments 1974–1979*, 77.

<sup>68</sup> H. A. Clegg, *How to Run an Incomes Policy: And Why We Made Such a Mess of the Last One* (London, 1971), 56.

<sup>69</sup> 'The Firms That Got Away with It', *Daily Mail*, 10 February 1978.

<sup>70</sup> 'Blacklist Justice'.

unfairness of not knowing whether it is size, geographical location or political allegiance that counts' in determining whether a firm is to be 'clobbered'.<sup>71</sup>

The timing of these debates suited the Conservatives and gave them the opportunity to make incursions into the tentative government confidence brought by a dip in inflation into single digits. Extending the Commons debates on pay policy in February 1978 served to divert Parliamentary attention from the party's persistent difficulties with the issue of immigration. Ten days before the first major debate, Thatcher had given an interview on *World In Action*, in which she talked of people's fears of being 'rather swamped' by Commonwealth migrants (the other popular fear she mentioned was that of the trades union's irresponsible use of 'industrial muscle').<sup>72</sup> The misdirection was not lost on Labour; it was 'better a blacklist than a blackamoor' for the Conservatives, as Chancellor of the Exchequer Denis Healey put it.<sup>73</sup> Nor did the newspapers miss the opportunity to send up both sides; the *Daily Mail* cartoonist 'Jon' saw a turbaned shopkeeper turning away a blacklist inspector with the words 'no, thank you, I'm already on Mrs Thatcher's'.<sup>74</sup>

From the government's perspective, however, all news was bad news. Tory claims of constitutional impropriety amplified those of Labour rebels about the impact on jobs, while the media duly coloured in the picture of a growing political mess. A new intensity of focus fell on blacklisting that had been absent for previous infractions, including the Partnership's. John Lewis was clearly not the same kind of 'test case' as Ford, but the coverage of the Partnership's blacklisting mattered, as it perfectly captured a disjuncture between crime and punishment. In a MAC cartoon of 6 February, Callaghan the mobster, sledgehammer in hand, warns a roughed-up manager slumped by the smashed windows of the Oxford Street store that 'people who stick to Big Jim's pay limits get "protection" against this kind of thing happening...'. Another alter ego for the Prime Minister was Communist dictator, with Jak, the *Evening Standard* cartoonist, showing the Chairman up against a wall, a Stalinesque portrait of Callaghan over the boardroom table: 'Come on, Mr Lewis, only finger-printing and blood-letting left and then we can get down to signing the contract'. Such cartoons had bite precisely because the department store

<sup>71</sup> See: debate on Pay Policy (Government Sanctions), 13 February 1978, 90.

<sup>72</sup> Margaret Thatcher, 'Tv Interview for Granada World in Action ("Rather Swamped")', <<https://www.margaretthatcher.org/document/103485>> accessed 5 February 2018.

<sup>73</sup> Denis Healey, 'Speech: Commons Debate on Pay Policy (Government Powers)' (13 February 1978), 46.

<sup>74</sup> Jon, 'No, Thanks, I'm Already on Mrs Thatcher's', (Cartoon), *Daily Mail*, 2 June 1978.

was such an unlikely site of resistance compared with the coalmine or the car-plant.

The stakes were certainly high. Ford negotiations were conducted early in the cycle, and so, its settlements acted as a marker for pay rounds elsewhere (Callaghan later called it the 'bellwether of the flock').<sup>75</sup> Not only outright breaches of the limits but also 'private sector fiddles' such as dubious productivity agreements or changes to pension contributions were a major concern, as they risked undermining the stand the government was taking in the public sector.<sup>76</sup> When both Ford and Vauxhall breached the limit, the internal dispute between the Treasury and the Department of Employment on the one side and the Department of Industry on the other, was described by *The Economist* as the 'most recent punch-up' in a 'little-publicised battle... among senior cabinet ministers' over the use of sanctions. In not pursuing either infraction, the Industry 'doves' had won that round.<sup>77</sup>

Over the same period, the Partnership had found the Treasury rather more obliging than Employment; the line from officials in the latter department was consistently inflexible, rejecting the company's case that competitive pressures for particular posts had required a corrective increase. A worked example sent by the Director of Personnel showed how applying the government guidelines could result in a commission-based carpet salesman being paid more for the same volume of sales than a Partner on a higher basic wage; 'clearly there is no logic or equity in guidelines that create this sort of disparity in remuneration for identical work'.<sup>78</sup> The Department insisted there was 'no choice' but to record the breach and to inform the Price Commission accordingly.<sup>79</sup> The Secretary of State for Employment (Albert Booth) had become 'the sole judge of whether a particular pay increase falls inside or outside the government's limits', the Finance Director fumed: 'This incident is further evidence, if any were needed that, at least in some areas, the country is governed by bureaucratic lunatics.'<sup>80</sup>

It was Roy Hattersley, the Secretary of State for Prices and Consumer Protection, however, who embodied for the Partnership the contradictions within Labour's approach to the private sector. In 1969, the then Chairman (O. Bernard Miller) and Director of Personnel (T.G. Andrews) had lunch with Hattersley—as Barbara Castle's deputy at the Department of Employment—during the discussions on prospective

<sup>75</sup> Callaghan, *Time and Chance*, 534.

<sup>76</sup> 'We'll Make You Stick to Our Rules', *Economist*, 3 December 1977.

<sup>77</sup> 'No Sanctions, No Breakthrough', *Economist*, 10 December 1977. The Department of Employment was later cast as the 'soft cop' to the Treasury's 'hard cop': 'Pay Policy Lists into Stage Four', *Observer*, 12 February 1978.

<sup>78</sup> T. G. Andrews, Letter to R. Le Guen, 10 August 1977, Box 2125/a, JLPA.

<sup>79</sup> R. Le Guen to T. G. Andrews, 16 August 1977, Box 2125/a, JLPA.

<sup>80</sup> Finance Director, Letter to Chairman (P. Lewis), 6 September 1977, Box 2839/f, JLPA.

legislation that followed the publication of the ill-fated industrial relations White Paper, *In Place of Strife*.<sup>81</sup> Hattersley had provided welcome confirmation that the Partnership's arrangements were 'acceptable as a substitution for normal collective bargaining and other joint consultative arrangements elsewhere'. The 'very satisfactory talk' even prompted Miller to initiate a programme to 'develop the Partnership's system in all those aspects where it seems least complete in fulfilling the objectives set out in the White Paper'.<sup>82</sup> In 1978, Hattersley was on the front-line defending the use of sanctions against the company. Andrews, by then also holding the office of Deputy Chairman, was invited by Alex Fletcher, MP, to view the Parliamentary debate of 7 February from the Strangers' Gallery; a hand-written note of Hattersley's 'lies' about the Partnership—principally concerning the company's knowledge of its blacklisting and alleged hesitancy in allowing publication to the Commons Library of confidential correspondence with various departments—was afterwards translated into a formal memorandum for senior staff.<sup>83</sup>

Hattersley's interest in promoting models of employee ownership such as JLP's was and remained genuine.<sup>84</sup> Competition could secure greater justice and equity within a mixed economy of private- and socially owned businesses, he argued from his Shadow Cabinet position in 1980, but the government retained the role of active partner. Techniques were needed to allow it to challenge 'individual decisions' within companies 'as both forms of enterprise will, from time to time, wish to pursue policies which are against the national interest'.<sup>85</sup> In a way, Hattersley's advocacy of both social ownership and state intervention reflected tensions within the company's own sense of its position in the wider economic and political system. Executives wanted a conducive policy environment, in which the firm's distinctive constitution would ensure differentiation of treatment from less meritorious parts of the private sector. At the same time, their tolerance for policy intervention was limited; the national interest was a persuasive appeal, but it would always be superseded by the considerations of competitive position and congruence with Partnership principles.

<sup>81</sup> 'In Place of Strife. A Policy for Industrial Relations', Cmnd 3888 (London, 1969).

<sup>82</sup> Chairman (O. Bernard Miller), Letter to Legal Adviser, 5 June 1969, Box 2125/a, JLPA.

<sup>83</sup> General Secretary, Memorandum to All Principal Directors and Heads of Selling Branches, "House of Commons Debate—Black List", 9 February 1978, Box 2125/a, JLPA.

<sup>84</sup> Incidentally, Hattersley's Principal Private Secretary at the time, Stuart Hampson, left the civil service in 1982 to join the Partnership, becoming Chairman in 1993.

<sup>85</sup> R. Hattersley, 'Politics and the Mixed Economy', in E. Roll, ed. *The Mixed Economy. Proceedings of Section F (Economics) of the British Association for the Advancement of Science, Salford 1980E*. Roll (London and Basingstoke, 1982), 126.

JLP's new public prominence in early 1978 was particularly uncomfortable for a company that refrained from advertising its wares (a position maintained until the 1990s). Executives recognized that the blacklist reflected far worse on the government than on John Lewis ('the longer we are on the list the greater in truth their shame and embarrassment') but also clearly felt that the Partnership had special obligations to raise matters of principle, as illustrated by the instruction of Counsel.<sup>86</sup> The company was anxious to defend a 'reputation for really very great regard to the public interest', while emphasizing—particularly to internal audiences—that the commercial impact was limited.<sup>87</sup> Yet as letters from Whitehall departments reached purchasing institutions across the country over the spring and summer, the company's exposure to blacklisting through its network of department and grocery stores became apparent. The nature of the business kept most individual contract values low; Nottingham University, for example, declined to forward any further business to Jessop & Son, having awarded the branch around £4,700 and £4,100 in the two previous years.<sup>88</sup> The DHSS proved particularly diligent. £136 plus Value Added Tax for renovating venetian blinds at Liverpool's Princes Park Hospital was withheld from G H Lee and an increasingly tetchy exchange with officials in Blackpool and London followed the rejection of a tender by Bainbridge's in Newcastle for the supply and dressing of wigs.<sup>89</sup>

The company also found itself dealing with new contractual terms in this period. The National Coal Board inserted a provision into tender documentation, requiring companies to declare their compliance with government pay policy 'since it came into operation'.<sup>90</sup> This stipulation would effectively exclude any firm that had been on the secret list, even if its name had since been removed. The Deputy Chairman's response was bullish: submit the tender and strike through the declaration, endorsing it 'no longer relevant' (referring to the expectation, outlined in the recently published White Paper, *Winning the Battle against Inflation*, that contracting parties will make mutual arrangements to accommodate its guidelines).<sup>91</sup> The Partnership's approach through

<sup>86</sup> Chairman (P. Lewis), Letter to Finance Director, 21 March 1978. Box 2125/a, JLP; Finance Director, Letter to K. G. Addison, Sun Alliance, 3 February 1978. Box 2125/a, JLP.

<sup>87</sup> T. G. Andrews, verbatim record of comments to Central Council, 6 February 1978. Box 2125/a, JLP.

<sup>88</sup> Contracts Manager, Jessop & Son, Letter to Managing Director, 30 June 1978. Box 2125/a, JLP.

<sup>89</sup> Contracts Department G. H. Lee, Letter to Contracts Manager G. H. Lee, 20 July 1978. Box 2125/a, JLP.

<sup>90</sup> National Coal Board, Invitation to Tender (12 cu. ft. chest freezer), 17 July 1978, Box 2125/a, JLP.

<sup>91</sup> Deputy Chairman (T. G. Andrews), Letter to Director of Personnel (S.C. May), 21 July 1978, Box 2125/a, JLP; 'Winning the Battle against Inflation', Cmnd 7293 (London, 1978). The White Paper attempted to provide some reassurance that flexibility would be

1978 was to press on with business as usual, but to pursue tenaciously any queries or rejections based on the blacklist, however small the amount involved.

Given the persistent small dents that press and Parliamentary discussion of the blacklist was making on the government's political and economic credibility, it is striking that the policy was not only sustained but escalated through 1978. *Panorama* reported that the number of blacklisted firms had almost doubled between May and July, from thirty to fifty-six, reaching seventy by August. The inescapable contexts for this increase in pressure were the fraught negotiations with the TUC over the proposed 5 per cent limit for Phase 4, finally rejected on 26 July, and the overarching question of when the Prime Minister should call a general election. With pay policy and union cooperation central to Labour's pitch for power in 1974, these two contexts are closely interwoven. Indeed, an autumn 1978 election was the subject of a strategy paper finished on the same day, 22 December 1977, that Callaghan proposed the 5 per cent norm to his Cabinet.<sup>92</sup>

The setting of such a low limit seems less a fixed determination than a signal to an electorate yet to be convinced of Labour's capacity to deliver on its economic promises. The uncompromising stance taken by Healey and Hattersley in the face of widespread criticism and ridicule of blacklisting made some political sense when seen against this backdrop; it was expedient to pursue companies that had national visibility but were low risk in terms of industrial unrest. Further, sceptics of private sector pay controls within a divided Cabinet were unlikely to muster against penalties imposed on such firms.<sup>93</sup> That is not to say that JLP was singled out for sanctions, although in late 1976, concern had already been expressed in emotive terms that the government would find ways of 'punishing' the Partnership for pay policy breaches, even as far as going 'out of its way to make life difficult for [us]'.<sup>94</sup> Yet the correspondence from officials speaks of administrative punctiliousness confounded by the opacities and confusions of the policy itself (more 'Whitehall bumbledom than malevolence', as one official was quoted in the *Observer*).<sup>95</sup> Strategic disregard—of the weaknesses of the government's case and of obvious

built into this phase of the pay policy, asking 'employers and unions to act responsibly and moderately' (paragraph 25).

<sup>92</sup> Donoghue, *Downing Street Diary*, 279. In mid-October, Callaghan had mentioned planning for an autumn 1978 or summer 1979 election 'but of course we might be forced into one sooner', 245; Dorey, *Wage Politics in Britain*, 159.

<sup>93</sup> Donoghue did not consider the JLP or Sun Alliance blacklisting controversies worth mentioning in his diary.

<sup>94</sup> Finance Director, Memorandum to General Secretary for Members of the PEC, 'Pay Review 1977, 8 December 1976, Box 2839/f, JLP.A.

<sup>95</sup> 'Pay Policy Lists into Stage Four'.

inconsistencies in the selection of firms to be penalized—rather than the pursuit of a particular grievance ensured that John Lewis continued to be blacklisted into the autumn of 1978. Sanctions against the company did not cease until December; formal notification from the Treasury arrived 2 days after the government's Commons defeat.

### III

Incomes policy thus commanded the energies and imagination not just of policymakers but also of businesspeople. The burden on JLP executives was onerous not least because it involved them in managing a series of conflicting conversations: with Partners already sensitized to internal pay differentials and concerned about standards of living in a low-wage sector; with officials about the integrity of JLP pay policy and questions of principle, public interest, and the conduct of government business; and among themselves about operating in an unsettled policy climate and managing the competing claims on their limited room for manoeuvre. Indeed, the blacklisting episode of 1977–8 shows how constrained both business and government were in implementing policy as conceived despite powerful beliefs about the legitimacy of their actions.

The Partnership had been conceived by Spedan Lewis as a 'state within a state', bound by the laws of the land but otherwise free to realize its constitutional purpose as a communal enterprise dedicated to advancing the happiness of its members.<sup>96</sup> This 'independence of initiative' had allowed the company to experiment in pursuit of its aims, such as developing models of assistance for Partners where the government fell short. Lewis was particularly proud, for example, of the introduction of Family Allowances in 1940, five years before the equivalent Act of Parliament.<sup>97</sup> These experiments in pay, benefits, and 'amenities'—the additional means by which the Partnership sought to secure the happiness of its members, such as an improved working environment, social and leisure provision, medical care, and adult education—had been a feature of the company from the time he took over management of Peter Jones. The architects of such plans were what he called the 'brain-workers': the executive class of the business. Lewis argued strongly for such Partners to be paid 'handsomely' and that it was in the interests of the 'workers' to do so. He made the case in characteristically overblown terms: 'If to possessors of really good

<sup>96</sup> Lewis, *Partnership for All*, 209–10.

<sup>97</sup> 'Partnership on the Scale of Modern Industry', *Journal of the Royal Society of Arts*, 89 (1941), 653–66. On Council's decision to introduce Family Allowances, see *Gazette*, Summary of the Proceedings of the Council at its 132nd meeting, 27 July 1940, 528–9.

brains the professions of trade-unionism and of labour-politics had been as financially attractive as the Law, the Dictators would not have been allowed to ruin Europe'.<sup>98</sup>

To find this freedom of action curtailed, as it was through the blacklisting of 1977–8, was therefore not just, and arguably not primarily, a commercial threat. Blacklisting revealed the limitations of the Partnership's 'state within a state' by demonstrating the company's exposure to exogenous contingencies despite the apparent integrity of the Partnership system and its institutional arrangements.<sup>99</sup> Strategies may be devised and decisions taken in alignment with JLP principles and practices, but those initiatives were no less vulnerable to external pressure than was the case for other private-sector businesses. Executives trained in a system that conferred on them the status of Cabinet ministers were finding their ability to exercise power circumscribed. This was as much an issue for internal as for external relations. In 1975, at a time the executive was sympathetic to the aims, if not the means, of government pay controls, managers were being enjoined to avoid 'any implication', whether in print or in speech, 'that the Partnership cannot do this or that because of Government restrictions'.<sup>100</sup> Wide public knowledge of the company's blacklisting in early 1978 ensured that this ongoing struggle to assert the company's independence of initiative—and in pay of all areas—became more complex and urgent.

For the Callaghan government, the blacklisting episode was a very public demonstration of the gap between policy conception and implementation. Departments manifested varying levels of commitment in pushing sanction demands through to dependent agencies and organizations, which in turn adopted different attitudes to enforcement. The government found local authorities, for example, unwilling to withhold tender invitations from blacklisted firms.<sup>101</sup> No pretence of a national policy could be maintained; some businesses—Ford, Vauxhall, and British Oxygen, among others—were proved to be more equal than others. Once the support of the unions had gone for Phase 3, the government could only target those employers willing to pay above the limit; then 'self-interest encouraged the workers to rally to the bosses'

<sup>98</sup> *Partnership for All*, 229.

<sup>99</sup> Spedan Lewis used the language of political systems to describe the Partnership, referring to, for example, representative institutions and an independent judiciary, and also used the analogy of a democratic state as an explanatory device. See, for example, *Fairer Shares: A Possible Advance in Civilisation and Perhaps the Only Alternative to Communism*, 91.

<sup>100</sup> Director of Personnel, Memorandum to Heads of Branches and Principal Directors of Central Departments, 'Publicity on Pay', 16 October 1975, Box 2839/f, JLPA.

<sup>101</sup> "A Little Local Difficulty", publication unknown. Clipping in Box 2125/e, JLPA.



cause', as Hattersley later commented.<sup>102</sup> In this context, companies such as John Lewis, and the smaller firms that made up the bulk of the blacklist, offered a more realistic prospect for effective sanctions (as one Partner put it, 'companies which cannot hit back')<sup>103</sup> than large businesses with relatively well-organized workforces and a claim to national economic consequence.

The argument had already been made by the advent of the Callaghan blacklist that the imposition of penalties was itself a signal of policy failure.<sup>104</sup> And, indeed, another lesson of the 1960s had already been drawn by this point: that sanctions were not a statement of intent but a symbol of government resolve. Given the 'very narrow limits to the support legal powers can give on incomes policy', authority cannot be invested in enforcement; instead, governments may only invoke an image of determination, which also serves 'to assure the public that flagrant breaches can be highlighted'.<sup>105</sup> In practice, the attempt to impose sanctions on firms such as John Lewis in the first half of 1978 undermined the Callaghan government's political and economic credibility before the crisis moment of the Ford settlement as Labour's flagship policy buckled under its own inconsistencies. It also, however, exposed tensions and fragilities within JLP that may not have been publicly visible as were those of the government but nonetheless challenged the Partnership's sense of itself. Confusions in the press between Phase 1 and Phase 2 breaches prompted questions from Partners about the legitimacy of raising senior pay over that of the rank and file, and executives were pressed to defend a system of reward that represented an accommodation of market forces and co-ownership.

In bringing the business perspective into the policy picture, the case of John Lewis's 'blacking' adds some shading to our understanding of the politics of pay in this important moment. We can see how formal arrangements—legislative measures, voluntary codes and norms, company policies, and so on—designed to secure and to signal consistency and fairness can be confounded. Disjunctures between ostensible equity in policy and perceived inequity in practice proved particularly damaging and divisive in the case of pay (and they arguably remain so). Insights into how businesses approached, negotiated with, and responded to government by drawing on company archives can enhance the work of political historians interested in the design and implementation of policy and the role

<sup>102</sup> Roy Hattersley, *Who Goes Home? Scenes from a Political Life* (London, 2017), 197–8.

<sup>103</sup> Letter from 'Unsigned', *Gazette*, 4 March, 1978, 106.

<sup>104</sup> Clegg, *How to Run an Incomes Policy*, 57–8.

<sup>105</sup> John Corina and A J Meyrick, *Incomes Policy in Crisis: An Overview, 1973–4* (Oxford, 1974), 10.

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and reach of government. Business records present certain challenges for historical analysis but also offer distinctive qualities that are rarely considered.<sup>106</sup> With the careful critical handling that scholarly training fosters, company archives hold the promise of rich resources for political historians.

<sup>106</sup> Christopher Kobrak and Andrea Schneider, 'Varieties of Business History: Subject and Methods for the Twenty-First Century,' *Business History*, 53 (2011), 412.