



Prime Minister

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Yes - we must show our opposition to their decision and any attempt at legislation.

Agree to X on p3, subject to colleagues?

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EMPLOYEE INVOLVEMENT

At the meeting of E on 14 October last year (E(82)21), I was invited to consider further, together with the Secretary of State for Trade and other Ministers concerned, the Government's policy relating to employee involvement, and to bring forward recommendations in due course. This followed discussion of this subject at an earlier meeting of E (E(81)33) and a meeting I had with the Chancellor and the Secretaries of State for Industry and Trade in April last year. Subsequently David Waddington was asked to look at the question with colleagues from the Treasury, Industry and Trade.

Our immediate concern has been the now imminent re-emergence of the two draft EC Directives on employee participation, both of which would require major legislation. Revised texts of the two draft Directives are now expected to be published very shortly (the draft Fifth Directive in the next few days). For the benefit of colleagues, I attach a note on the current state of play and the likely content of the directives.

David Waddington reported to me in November last year. He and his colleagues concluded that we should maintain our present opposition to legislation. The need for more employee involvement, both for our national economic prospects and for the health of individual enterprises, was undeniable. But the imposition of legislative requirements would add unnecessarily to costs, be disruptive for many well-established arrangements and could prove self-defeating. Accordingly, the Waddington Group recommended that in Europe the Government should continue to make clear its strong reservations.



on the two draft Directives but should be ready to participate in the detailed examination of the texts when they emerged from the Parliament and the Commission. Meanwhile the Government and Industry should present a united front in firm commitment to the voluntary approach: employer organisations, in particular the CBI, should be urged to renew their efforts of exhortation among their members (particularly multinationals) and to ensure that good practice received more publicity than hitherto. Our best hope of persuading the Commission and other member states of the validity of our approach lay in demonstrating that voluntarism worked.

The Secretary of State for Trade and I both endorse these conclusions, which, as far as the draft Fifth Directive is concerned, reflect the views which he expressed in his letter to me of 14²⁹ December. For my part, I have made a point of expressing forcibly, both publicly and in discussion with other EC Ministers and Commissioners, our unqualified opposition to unnecessary EC instruments to harmonise employment practices. Now that I have given a lead in the matter, I find that my counterparts in other countries have been more prepared to express their opposition too.

Before reporting back to colleagues, however, I thought it useful to review the subject with the CBI. I took the opportunity to do so on 28 February when the Director General of the CBI and a number of his colleagues came to see me. Their views are very much in line with ours. In particular, they recognise the importance of demonstrating that progress is being made in extending the practice of employee involvement without legislative intervention.

To this end, the CBI propose to mount another survey of the employee involvement activities of their members. The results should be

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available this summer. The survey would provide some up to date information, but should also encourage members to publicise good employee involvement practices where they existed. The CBI will also continue to press the case for voluntarism on its merits both here and in consultation with employers' organisations in Europe. All this is helpful, and I welcomed it, suggesting that it would be useful if companies, especially multinationals, publicised their acceptance of and compliance with the various existing international guidelines on consultation and communication.

We need to be aware, however, of the emphasis being placed on worker participation by the other parties, particularly the SDP, which has recently advocated the achievement of industrial democracy through a comprehensive set of legislative and other measures. This may have some electoral attractiveness in some quarters. But legislation would in our view be counterproductive to the achievement of our aims. It would also attract strong opposition from many employers, who would condemn any proposals as unnecessary bureaucracy. And it would complicate our negotiating stance in Europe.

In the light of your Private Secretary's letter of ^{p+9} 15 December, in reply to Lord Cockfield's letter of 14 December, I should be grateful for your and other colleagues' agreement that we should continue to follow the voluntarist line, and adopt the stance of constructive opposition in Europe, as proposed in paragraph 3. It would be helpful if colleagues would take suitable opportunities to press the advantages of the voluntarist approach, and to encourage companies to publicise evidence of their adherence to the existing guidelines.

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I am copying this to members of E, the Lord Chancellor,
the Attorney General, the Secretaries of State for Scotland
and Wales and to Sir Robert Armstrong.

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20 April 1983

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