

CONFIDENTIAL

CC NO.



Prime Minister<sup>2</sup>  
To note  
MS 9/5

Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

PRIME MINISTER

MS

#### EMPLOYEE INVOLVEMENT

I have seen a copy of the Secretary of State for Employment's minute of 20 April, the comments of other colleagues and Michael Scholar's letter of 25 April. I agree with the Secretary of State for Employment's view that the need for more direct employee involvement in industry is undeniable.

2. As I see it, there are two different aspects of the term "participation". The first is the need to inform employees about the workings of and prospects for their company. This increases understanding both of how their company is performing and also of the wider question of how the market works. It makes it more difficult for militant trade unionists to distort or ignore the facts on a dispute, particularly in the private sector. There is clear evidence that the practices of all too many of our large firms fall far short of a reasonable minimum when it comes to communicating to and informing their employees; and that this failure makes for poorer productivity, low morale and troubled collective bargaining. Average British management has much further to go before it reaches the levels of best practice and we should certainly be prepared to do all we can to encourage it.

3. The second aspect consists of involving workers more fully in the organisation and ownership of the business. Firms like the John Lewis Partnership, Sainsburys and Marks & Spencer  
/encourage employees

CONFIDENTIAL



encourage employees to contribute to the running of their organisations and to benefit from any success through profit sharing schemes. In successive Budgets I have tried to encourage this type of activity by generous tax reliefs and we are now having a considerable response.

4. I believe we need to encourage more British firms to develop the forms of employee involvement which suit them best and to speed up progress towards better communication and information. I am sure that a voluntary approach to this is still right at this stage, although I would agree with the Secretary of State for Employment when he stresses the importance of the CBI and others in making the voluntary approach a success and in demonstrating that progress is being made. But I should not want to rule out statutory action which left room for firms to choose their own way forward, while making it clear that they had to move.

5. Nor am I convinced that we have to take an entirely negative line over this in Europe. Clearly we cannot go along with imposing the two tier board system on British companies. We must certainly avoid any commitment to potentially harmful legislation. But there is no need for us to be seen resisting the ideas of better communication, and more profit sharing, within industry.

GH

G.H.  
6 May 1983

IND POL: IND Relativis Legislati:

M10.

19 MAY 1983

