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Prime Minister (2)

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Good.

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15 July 1983

D Michael,

EMPLOYEE INVOLVEMENT

Thank you for your letter of 27 June about employee involvement.

I agree that a code of practice on the lines you propose has some attractions, and it is one of the options which I have considered in some detail. However I concluded that any advantages are outweighed by the difficulties. If a code is to carry any weight, it must, as you say, have statutory backing. Codes of this kind, however, are more suitable for elaborating on specific legal duties, such as those relating to the closed shop, and they are not generally practicable for a wide-ranging subject such as employee involvement. A statutory code, moreover, would need to be underpinned by legal sanctions, but it is difficult to see how it could realistically be enforced. Either the sanctions would be so mild as to be ineffective; or if they were to have any teeth, they would inhibit good voluntary initiatives. There would also be increasing pressure for greater legislative intervention.

I do not underestimate the value of voluntary codes of good practice. There are already a number of such codes in existence, and others are no doubt in the making. In particular, the Industrial Participation Association has held extensive consultation on a new code which it is shortly to publish with the support of the Institute of Personnel Management. The new requirement in the Employment Act 1982 on larger employers to report on their performance is an additional stimulus for other such organisations to produce guidance on the subject.

You suggest that the introduction of a statutory code of practice might forestall more radical initiatives by our political opponents. I rather doubt whether such a code would deter the other political parties from pressing for legislation of the kind advocated in their recent manifesto. On the contrary, I believe that our adherence to the voluntary approach and evidence of progress will stand us in good stead both here and in resisting the two draft Directives emanating from Brussels.

I am copying this letter as before

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