



Prime Minister (2) SE JV

Caxton House Tothill Street London SW1H 9N&F

MCS 1/10

Telephone Direct Line 01-213 6400

Switchboard 01-213 3000

Michael Scholar Esq
10 Downing Street
LONDON SW1

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Dear Michael

EMPLOYMENT BILL : EMPLOYEE INVOLVEMENT

Thank you for your letter of ~~30~~ September recording the Prime Minister's views on the threshold for companies required to report under Lord Rochester's amendment to the Employment Bill.

Mr David Waddington, together with officials from this Department and the Department of Trade, has now seen Lord Rochester. Apart from a couple of minor drafting changes to paragraph (b) and (d) of sub-clause (3) which Mr Tebbit believes can be accepted without difficulty, Lord Rochester was generally content with our proposals. In particular, he agreed to raise the threshold of application from 200 to 250; Mr Tebbit believed that to have pressed for a further increase might have endangered the whole Bill.

It was agreed that Lord Rochester should see a copy of the amendments as they would be tabled and we propose that, subject to any unexpected difficulty, this should take place early next week. Parliamentary Counsel has now drafted amendments to the clause, and these are set out in the annex to this letter. The changes agreed with Lord Rochester are described in a footnote.

I should add that, since my letter of ~~20~~ September, we are now advised that an existing order-making power can properly be used for altering the threshold above which companies are required to report. Accordingly, the proposal for a separate affirmative resolution procedure was not put to Lord Rochester.

I am copying this letter to the private secretaries of all Members of the Cabinet, the Attorney General, the Lord Advocate and Sir Robert Armstrong.

Yours sincerely
Marie Fahey

MISS M C FAHEY
Private Secretary

(REVISED)

EMPLOYMENT BILL

AMENDMENT

TO BE MOVED ON THIRD READING

BY THE EARL FERRERS

CLAUSE 1

Leave out Clause 1 and insert the following new Clause -

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("Employee
~~participa-~~
~~tion.~~
involvement

(1) Section 16 of the Companies Act 1967 (additional matters of general nature to be dealt with in directors' report) is amended as follows.

(2) In subsection (1), the following paragraph is added at the end -

- "(h) in the case of relevant companies, contain a statement describing the action that has been taken during the financial year to introduce, maintain or develop arrangements aimed at -
- (i) providing employees systematically with information on matters of concern to them as employees,
 - (ii) consulting employees or their representatives on a regular basis so that the views of employees can be taken into account in making decisions which are likely to affect their interests,
 - (iii) encouraging the involvement of employees in the company's performance through an employees' share scheme or by some other means,
 - (iv) achieving a common awareness on the part of all employees of the financial and economic factors affecting the performance of the company."

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(3) After subsection (1) there is inserted the following subsection -

"(1A) For the purposes of subsection (1)(h) above, a company is a "relevant company" if the average number of persons employed by it in each week during the financial year exceeds 250; and for the purposes of this subsection the number of persons employed shall be the quotient derived by dividing by the number of weeks in the financial year the number derived by ascertaining, in relation to each of those weeks, the number of persons who, under contracts of service, were employed in the week (whether throughout it or not) by the company and adding up the numbers ascertained."

(4) After subsection (7) there is inserted the following subsection -

"(8) In subsection (1)(h) above "employee" does not include a person employed to work wholly or mainly outside the United Kingdom; and for the purposes of subsection (1A) above no regard shall be had to such a person.""

Footnote - changes agreed with Lord Rochester

- In (3)(b) "in making decisions" substituted for "before decisions are made" and a reference to "wherever practicable" omitted.

- In (3)(d) "all" substituted for "managers and other". The words "performance of their" inserted.