

ESJV



Prime Minister (1)

Caxton House Tothill Street London SW1H 9NAF

Telephone Direct Line 01-213.....6400

Switchboard 01-213 3000

You earlier commented

that a threshold of 500

Yes - would be more acceptable

200 to CBI etc.

Shall I suggest that Mr
Tebbit attempts to gain Lord

Tim Flesher Esq
10 Downing Street
LONDON SW1

any more change
would help
not

20 SEP 1982

Rothstein's agreement to 500;

EMPLOYMENT BILL: EMPLOYEE INVOLVEMENT

At Cabinet on 29 July (CC(82)40th), my Secretary of State was asked to consider urgently how the Liberal/SDP amendment on employee involvement should be put into a satisfactory form in time for Third Reading in the House of Lords after the summer adjournment. He was also asked to arrange for consultation with industry on the amendment and to report the outcome with recommendations.

but that, failing agreement, you could accept

Some 100 organisations were invited for their views, and 75 have responded. There has been a mixed reaction to the amendment. A number of organisations are in favour of such a measure, but have called for some amendment of the provisions as drafted. The majority of employers, however, including the CBI and the Institute of Directors, are unenthusiastic, but recognising the Government's acceptance of the provision in principle they also have suggested drafting improvements to make it more workable in practice. A few respondents expressed strong opposition to the provision in the belief that there is no place for legislation of any kind in the field of employee involvement.

Yes 250?
Otherwise agree
MUS 21/9
to these proposals?

Decisions must now be taken on what amendments should be tabled to the provision, which now stands as Clause 1 in the Employment Bill. In considering any amendments, we are limited by the rules of procedure for inclusion of amendments at Lords Third Reading. Although Third Reading is provisionally scheduled for 13 October, Commons consideration of Lords amendments is not expected until some time during the last week in the session. If the Bill had then to be returned from the Commons to the Lords, there could be a serious risk of its loss. Clearly we cannot run that risk and Ministers here believe that it is out of the question to contemplate any amendments which might be ruled out of order. It will also be necessary to consult Lord



Rochester about any amendments that are put down - in line with the assurances that he has been given.

First, we need to settle the nature of the amendment to the new clause. Having discussed this question with the Secretary of State for Trade, and with the benefit of the Attorney's advice, my Secretary of State has concluded that the best approach is to express the requirements of the new clause as an amendment to the Companies Acts by means of an insertion in Section 16-21 of the Companies Act 1967. We understand that in common with other requirements relating to directors' reports, a regulation-making power to amend the provision would then be available under Section 454 of the Companies Act 1948. There is also the advantage that this method would enable the new clause to be included in a Companies Act consolidation measure.

Secondly, we need to consider whether the threshold for companies required to report should be increased above 200 employees, as specified in the present provision. There is in our view much to be said for increasing this number to 250 to bring it into line with the comparable Companies (Directors Report) (Employment of Disabled Persons) Regulations 1980 which entail a similar reporting requirement. This view is supported by a number of organisations who have been consulted, including the CBI. Furthermore, we doubt whether Lord Rochester and his friends would agree to a more substantial increase in the threshold. Provided the House of Lords' procedural rules permit, Mr Tebbit also proposes to include a provision enabling the threshold to be altered by affirmative resolution procedure.

Finally, we need to decide what drafting amendments should be made to the substantive parts of the provision in Sub-Section 1(3). The main changes which we recommend should be introduced, and which reflect a number of comments received in our consultations, ... are set out in the Annex enclosed with this letter, together with the text of Clause 1.

Subject to any views which the Prime Minister and other ministers may have, Mr Tebbit proposes to discuss these amendments with Lord Rochester early next week with a view to their being drafted and put down for Third Reading. We should therefore be grateful to receive any comments on our proposals by the end of this week, that is Friday 24 September.

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

*Yours sincerely
Mamie Fahey*