Democratic Society Act 2020

2020 CHAPTER 1

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Democratic Society Act 2020

2020 CHAPTER 1

An Act to extend the principle of democracy into every field of economic life, by ensuring everyone has votes at work, in their capital, in public services, and to expand common wealth among every member of society.

BE IT ENACTED by the Queen's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

Principles

1 Principles of governance

- (1) The purpose of this Act is to set reasonable standards of democracy in the economic constitution of the United Kingdom.
- (2) The principle of one person, one vote, in workplaces, in the administration of capital funds, and in public services, must be taken into account when interpreting this Act.
- (3) The regional governments of Scotland, Wales, Northern Ireland, London, and any future devolved governments have the right to set higher standards of democracy for workplaces, capital funds, or public services within their region.

Democracy at work

2 Worker right to vote and participate in all enterprises

- (1) Every worker has the right to be entered on the register of members of their company.
- (2) Each worker shall have one vote in the meetings of companies. Workers as a group shall be entitled to a minimum of twenty per cent of the total votes in the company. The Secretary of State may by order raise the minimum percentage of votes.

(3) Workers as members shall be entitled to bring derivative claims for breach of the duties of directors as listed under the Companies Act 2006 sections 170 to 177, or for any other breach of legal or equitable duty.

(4) Where a company controls the governance of another company, workers shall be entitled to be entered onto the register, to vote, and to bring claims on a proportionate basis in the controlling company as well as their own.

(5) A worker may delegate their vote on a revocable basis to an independent trade union. Companies shall facilitate voting by electronic means in the simplest possible manner.

(6) Where a worker works for partnership, statutory body, unincorporated association, or any other legal form of organisation, they shall be entitled to be registered, vote in meetings, and bring claims against the board of directors, or other governing body, on the same basis as in a company, regardless of legal form. The Secretary of State shall make regulations amending such legislation as is necessary to achieve this objective.

3 Worker right to be represented on enterprise boards

(1) At least two directors on every company board shall be directly elected by the workers of the company.

(2) At least one-third of the total number of directors of every company with over 250 workers shall be elected by the workers of the company. The Secretary of State may by order increase the proportion of directors elected by workers.

(3) Sections 2(4) to (6) apply with the necessary modifications to section 3.

(4) Enterprises with under 250 workers may alter their articles of association to limit the application of sections 2(2) to (4) and sections 3(1) and (2) after consultation with their workforce and an independent trade union.

(5) The Secretary of State may by order reduce the threshold in sections 3(2) and (4) below 250 workers.

4 Work councils and binding management rights

(1) Upon notice given by an independent trade union, or five or more workers, an enterprise shall recognise a work council for the purpose of exercising the rights in this section.

(2) A work council shall consist of three or more representatives elected by the workers of the enterprise. Ballots shall be secret, fair and equal.

(3) A work council shall have the right to determine any management policies or decisions, either in accordance with a collective agreement between the enterprise and an independent trade union, or including at least the following issues:

- (a) working time patterns, including the time of working hours, breaks and holidays,
- (b) the timing and form of pay, salaries or bonuses,
- (c) the use of any technical devices to monitor worker behaviour,
- (d) arrangements or equipment to protect worker health and safety, and
- (e) the workplace suggestion scheme.

(4) A work council shall have the right to be consulted by the enterprise before any dismissal of a worker, or any substantial economic change, as soon as such dismissals or changes are within the contemplation of the enterprise. Any dismissal made without notification to the work council is void.

(5) A work council may within one week give a notice of objection to a dismissal by setting out written reasons.

(6) In the case of dismissals for conduct, or performance, the enterprise may apply to an Employment Tribunal to overturn the objection of the work council on the basis that –

- (a) the reasons of the work council are manifestly unfounded, or

- (b) retaining the worker would create an unreasonable financial burden.
- (7) In the case of dismissals for redundancy, the enterprise may in response to a notice of objection require the establishment of a conciliation committee with members appointed equally by the enterprise and the work council. If no agreement can be reached within six weeks, the employer or work council may apply to the Central Arbitration Committee for arbitration. Both the work council and the enterprise shall submit proposals on the appropriate resolution of the dispute. The arbitrator shall determine a social compensation plan with the purpose of compensating the redundant workers, taking into account the social costs of the dismissal.
- (8) The employer shall in no way interfere with or provide funding for the activities of the work council. The employer shall give members of the work council reasonable time off.
- (9) The rights of work councils shall be enforceable by injunction. The Secretary of State may make regulations to implement the rights of work councils, including penalties for non-compliance that are effective, dissuasive and proportionate.

Democratisation of capital

5 Right to voice in all capital funds

- (1) The trustees of every pension or other capital fund must be at least one-half nominated by the members or beneficiaries of the fund, whether it is constituted as a trust, a corporation, a contract, or any other legal form.
- (2) The board of trustees shall appoint a chair that holds a casting vote. The chair shall be a member-nominated trustee.
- (3) Where trustees delegate responsibility for voting on any investments to any financial intermediary, the trustees must have a public voting policy in place that sets minimum standards for the manner in which votes will be cast. This shall include environmental, social and governance standards.
- (4) Workplaces may organise direct elections for member-nominated trustees, or enable an independent trade union to appoint member-nominated trustees. Trade unions shall conduct an open application process, paying regard to the qualifications, the priorities for voting on investments in the fund, and the need to ensure competence.
- (5) The Secretary of State may make regulations to exempt credit institutions from the requirements in section 5(1).

6 Financial intermediaries not to vote without instructions from representatives

- (1) Every financial intermediary has a duty to follow the voting policy and specific instructions of trustees on how voting rights on securities shall be voted.
- (2) No financial intermediary that manages funds on behalf of any client may vote on securities except in accordance with the policy or instructions from that client.
- (3) Where a financial intermediary pools savings from different clients into single funds, it shall ensure that votes are cast where necessary on a split basis in relation to each client's portion of funds.
- (4) Every financial intermediary has a duty to facilitate electronic voting in the simplest manner possible, free of charge to its clients, and to publicly report its voting records.

7 Democratic ownership funds

- (1) A democratic ownership fund shall be established for each sector of workers by the Secretary of State, in consultation with the relevant trade unions and employer associations.

- (2) Every enterprise with over 250 workers shall pay one per cent of its profits on 31 March each year to the democratic ownership fund for its sector. This shall rise by one per cent each year to ten per cent.
- (3) Each democratic ownership fund shall have a board that is composed of directors elected by the workers of enterprises in that sector and representatives of independent trade unions.
- (4) The board of an democratic ownership fund shall make public an investment and voting policy, in consultation with its members and representative groups, to prioritise –
- (a) the social interests of its members,
  - (b) sustainable, long-term development of capital and returns to its members,
  - (c) the need to eliminate green-house gas emissions, and,
  - (d) the need to reduce inequality between regions.
- (5) The Secretary of State may amend section 7(2) by order –
- (a) to lower the threshold of 250 workers,
  - (b) to raise the percentage of profits, or,
  - (c) to provide for progressive gradations of profits for enterprises of different sizes.
- (6) Any order made pursuant to section 7(5) shall take effect only upon inclusion in a Finance Act each year.
- (7) The sectors for establishing democratic ownership funds shall include,
- (a) health and social care,
  - (b) education,
  - (c) supermarkets, food and leisure,
  - (d) financial and legal services,
  - (e) construction and housing,
  - (f) transport and manufacturing,
  - (g) media and communications,
  - (h) sport and entertainment,
  - (i) security and military services,
  - (j) agriculture, forestry and fisheries,
- and any other sector as determined by the Secretary of State.

Democratisation of public services

8 Right to vote in public services and regulated enterprises

- (1) Every member of the public shall have the right to vote in public services according to the principle of one vote per person. Members of the public shall have a minimum of twenty per cent of the total votes in each meeting of the service, and the right to elect at least two directors to the board of directors or other governing body of the service.
- (2) Members of the public who use a service shall be entitled to be automatically registered and have the right to vote. Members of the public who are not automatically registered, but who are resident in the service's region shall be entitled to be registered within 4 days by providing a name, address, and postal identification.
- (3) In the following services, voting rights shall be accorded as follows. In –
- (a) credit institutions, to customers holding a deposit account or a loan agreement,¹
  - (b) natural resource enterprises, to residents in the relevant area,²
  - (c) electricity and gas enterprises, to customers and residents in the relevant area,³

¹ Financial Services and Markets Act 2000 Sch 6, etc

² Petroleum Act 1998, Coal Industry Act 1994, Deep Sea Mining Act 1981, etc

³ Electricity Act 1989 and Gas Act 1986

- (d) water enterprises, to customers and residents in the relevant catchment areas,⁴
  - (e) rail enterprises, to passengers and residents in the relevant area,⁵
  - (f) bus enterprises, to passengers and residents in the relevant area,⁶
  - (g) telecommunications enterprises, to customers,⁷
  - (h) universities, to students and alumni,⁸
  - (i) schools, to parents of students or students of voting age,⁹
  - (j) health care institutions, to residents of the relevant geographical area,¹⁰
  - (k) sport clubs, to members of the club,¹¹
  - (l) regulated media enterprises, to licence fee payers,¹²
  - (m) internet platforms that store personal data, to users.
- (4) The Secretary of State may by order amend the threshold of votes and directors in section 8(1) upwards.
- (5) The Secretary of State may make regulations on the scope and procedure for voting rights in section 8(3).

9 Definitions

(1) In this Act and in all other Acts –

- (a) a ‘worker’ means anyone who personally performs work under the direction of another, taking into account the relative bargaining power of the parties, and the purpose of ensuring that everyone has rights at work,
- (b) an ‘enterprise’ means a company, partnership, association, any other legal form or entity, or group of entities, that is engaged in an economic activity, and,
- (c) a ‘beneficiary’ of a fund is any person who contributes to a fund, or on whose behalf contributions are made.

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⁴ Water Industry Act 1991

⁵ Railways Act 1993

⁶ Transport Act 1985, Greater London Authority Act 1999, Bus Services Act 2017, etc

⁷ Communications Act 2003, Wireless Telegraphy Act 2006, etc

⁸ Further and Higher Education Act 1988, Higher Education Governance (Scotland) Act 2016, etc

⁹ Education Act 1996, Education Act 2002, etc

¹⁰ National Health Service Act 2006

¹¹ Companies Act 2006, etc

¹² Communications Act 2003, etc

SCHEDULE 1

CONSEQUENTIAL AMENDMENTS

Worker right to be members

1 The Companies Act 2006 sections 8, 113, 284 and 285 shall be amended as follows:

- (a) in section 8(1)(b) after 'one share each' adding 'or become workers of the company'.
- (b) after section 113(3)(b) adding ', or (c) the percentage of total voting rights of members, but in no case less than thirty per cent, who are workers. The Secretary of State may increase this threshold by statutory instrument.'
- (c) in section 284(1)(a) adding after 'held by him,' 'or in the case of members who is a worker, one vote per person'
- (d) after section 285(2) adding '(2A) A member holding a contract of employment may choose to appoint a proxy, but only to a trade union which is independent within the meaning of section 5 of the Trade Union and Labour Relations (Consolidation) Act 1992.'

Boards accountable to workforce

2 The Companies Act 2006 section 154 shall be amended by inserting after subsection (2):

- (3) A company with more than 250 workers must have at least two directors who are elected by the company's workers. The Secretary of State may decrease the threshold of 250 workers, and may increase the threshold of two directors, to any number or proportion of the board, by statutory instrument.
- (4) For the purpose of this section, a 'company's workers' includes any person who works for a subsidiary or other entity over which the company has decisive influence, and is not genuinely self-employed.
- (5) In determining who is a 'worker', a tribunal or court must be guided by the purpose of securing labour rights for everyone, and in particular for those who lack the bargaining power to secure minimum rights themselves.

Member-nominated trustees

3 The Pensions Act 2004 sections 241-243 shall be amended as follows:

- (a) in sections 241 and 242, substituting 'one-half' for 'one-third'.
- (b) deleting section 243.

Prohibition on collective investment scheme voting

4 A new Financial Services and Markets Act 2000 section 241A shall be inserted as follows:

Chapter IIA Corporate governance obligations

241A(1) A collective investment scheme shall in no case vote upon the share capital it possesses without express voting instructions from its clients.

(2) Each scheme shall pass all company information on voting resolutions and meetings to its client.

(3) Each scheme shall expeditiously follow instructions of its clients in respect of their stake of equity, free of charge and by electronic means.

(4) Detailed regulations for compliance with subsections (1) to (3) may be issued by the Secretary of State.

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