

EXPLANATORY MEMORANDUM TO
THE EMPLOYMENT RIGHTS (INCREASE OF LIMITS) ORDER 2014
2014 No. 382

1. Introduction

- 1.1 This explanatory memorandum has been prepared by the Department for Business, Innovation and Skills and is laid before Parliament by Command of Her Majesty.
- 1.2 This memorandum contains information for the Joint Committee on Statutory Instruments.

2. Purpose of the instrument

- 2.1 From 6 April 2014 this Order increases the limits (maximum or minimum) applying to certain awards of employment tribunals and other amounts payable under employment legislation, as specified in the Schedule to the Order. This is in line with the increase in the retail prices index ('RPI') between September 2012 and September 2013 (+3.2%) and in accordance with the formula set out in section 34 of the Employment Relations Act 1999 ('ERA 1999'), as amended by sections 15 and 22 of the Enterprise and Regulatory Reform Act 2013 ('ERRA 2013').

3. Matters of special interest to the Joint Committee on Statutory Instruments

- 3.1 The relevant order-making power is section 34(2) of the ERA 1999 and the list of sums to be increased (or decreased) as a result of the change in the RPI is set out in section 34(1) of the ERA 1999.
- 3.2 In applying the relevant percentage increase (or, as it may be, decrease), the Secretary of State is required to round up the new sums to the nearest whole pound, taking 50p as nearest to the next whole pound above, in accordance with the provisions set out in section 34(3) of the ERA 1999 as amended by section 22 of the ERRA 2013, with the result that variations in the percentage change can occur. Prior to the amendments made by section 22 of the ERRA 2013, in the calculation used to increase or decrease the relevant limits, the Secretary of State was required to round up the new sums to the nearest 10 pence, £10 or £100 (as the case may be).
- 3.3 Section 22 of the ERRA 2013 also amended section 34(2) of the ERA 1999 by introducing a time that orders made under that section are to

come into force. Changes to the relevant limits in section 34(1) of the ERA 1999 shall now be made on 6 April each year.

- 3.4 This Order increases all of the limits specified in section 34(1) of the ERA 1999 and to the amounts referred to in the Schedule.

4. Legislative Context

- 4.1 Section 208 of the Employment Rights Act 1996 required the Secretary of State, in each calendar year, to undertake a review of various limits and to decide whether limits should be varied.
- 4.2 Section 34 of the ERA 1999 replaced section 208 with a simpler duty. It provided that, if the retail prices index for September of a year is higher (or lower) than the index for the previous September, the Secretary of State is required to change the limits, by Order, by the amounts of the increase (or decrease). The relevant payments and awards were revised pursuant to this legislation for the first time in February 2000, and have been amended each year since.

5. Territorial Extent and Application

- 5.1 This Order applies to Great Britain.

6. European Convention on Human Rights

- 6.1 The Minister for Employment Relations and Consumer Affairs has made the following statement regarding Human Rights:

In my view the provisions of the Employment Rights (Increase of Limits) Order 2014 are compatible with the Convention rights.

7. Policy background

- 7.1 The purpose of the changes introduced by section 34 ERA 1999 was to replace a time-consuming annual review process with a system of annual automatic indexation, linking payments to the rate of inflation and giving greater certainty to businesses and workers.

8. Consultation outcome

- 8.1 No formal consultation exercise was necessary for this Order since the limits are required to be reviewed annually by legislation.

9. Guidance

9.1 Any reference to the statutory limits will be updated. This includes electronic and other media such as Gov.uk

10. Impact

10.1 An Impact Assessment is not required because the ERA 1999 provides for indexation according to a pre-determined formula (i.e. the RPI).

11. Regulating small business

11.1 The legislation applies to small business.

12. Monitoring & review

12.1 The limits are revised every year as required by legislation.

13. Contact

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