

**EXPLANATORY MEMORANDUM TO THE
EMPLOYMENT RIGHTS (INCREASE OF LIMITS) ORDER 2005**

2005 No. 3352

1. This explanatory memorandum has been prepared by the Department of Trade and Industry and is laid before Parliament by Command of Her Majesty.

This memorandum contains information for the Joint Committee on Statutory Instruments.

2. **Description**

2.1 From 1st February 2006, this Order increases, in line with the increase in the retail prices index between September 2004 and September 2005 (+2.7 %), 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.

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 Employment Relations Act 1999 (ERA 1999) and the list of sums to be increased (or decreased) in line with the change in the retail prices index comprises section 34(1) ERA 1999. Pursuant to changes made to section 34(1) by the Employment Relations Act 2004, a new sum has been inserted into that section – the amount of an award for unlawful inducements relating to trade union membership/activity or to collective bargaining – and this figure is now being increased for the first time.

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 variously to the nearest 10 pence, £10 or £100 with the result that variations in the percentage increases therefore occur.

4. **Legislative Background**

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 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 updated

pursuant to this legislation for the first time in February 2000, and have been each year since.

5. Extent

5.1 This Order applies to Great Britain.

6. European Convention on Human Rights

Not applicable

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. This annual exercise attracts little interest and is of no special legal or political importance.

8. Impact

8.1 A Regulatory Impact Assessment has not been prepared for this instrument as it has no impact on business, charities or voluntary bodies.

8.2 There is no impact on the public sector.

9. Contact

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