

**EXPLANATORY MEMORANDUM TO**  
**THE EMPLOYMENT RIGHTS (INCREASE OF LIMITS) ORDER 2015**  
**2015 No. 226**

**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 2015 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 2013 and September 2014 (+2.3%) and in accordance with the formula set out in section 34 of the Employment Relations Act 1999 ('ERA 1999').

**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.
- 3.3 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.

- 4.3 Section 34 of the ERA 1999 was amended by the Enterprise and Regulatory Reform Act 2013. This changed the method of calculation used to increase or decrease the relevant limits (as noted in paragraph 3.2) and specified that the changes to the relevant limits in section 34(1) of the ERA 1999 be made on 6 April each year.

## **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 2015 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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