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The effects of National Minimum Wage has on youth employment on the labour market in the 21st century

RESEARCH PROPOSAL

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1. Introduction

The following report will discuss “The effects of National Minimum wage has on youth employment on the labour market in the 21st century”, this topic has been selected and applied to the case of Primark. A problem statement will be able to guide policymakers to address the issues. Then outline the aims and objective of the direction of the research. Reviewing the literature review will give background on the topic and compare results. Aims and objective outline the overview direction of the research and then discuss the methods that will be conducted.

1.1. Rationale

The introduction of NMW in 1999 led to increase in labour costs among low paying businesses. The UK has four different NMW for different age related rates ([Appendix 1](#)). The importance of NMW has helped increase income for low paid and protecting youth jobs thus stopping businesses exploiting their workers’ wages (Kalenkoski, 2016). While there is a large amount of research examining the impact of NMW, however, NMW effects on youth employment and business performance is significantly understudied. More than 1 million workers receive NMW, the highest proportion are among women and young people (Runge et al., 2019).

1.2. Problem statement

Over the past 20 years of NMW the number of youth rates has increased and the labour market has changed. Young workers are in a vulnerable position because their employment is at greater risk than older workers in the labour market, fewer than one in ten younger workers are paid at their respective youth rate (Runge et al., 2019).

BBC (2017) reports that Primark paid below the NMW to nearly 100,000 workers, and are one of 260 firms that are failing to pay staff their legal minimum requirement. Evidence suggest that increased NMW reduce employment among young workers, thus being more likely to be unemployed (Kalenkoski, 2016). This would have long term ‘scarring affect’ on their future employment and earnings (Runge et al., 2019).

1.3. Significance of the topic

Academic relevance

The academic relevance of this study benefits the labour market considering young workers play a detrimental role to society. Policymakers have secondary data on this topic, not only for future studies but also for young workers who are applying for jobs and feel unclear on NMW.

Practical relevance

The practical importance of this study is to lead employers to make use of the current information for their own benefits and can therefore make good judgement when paying their worker and understand the effects on NMW on young workers productivity. This would lead to a raise in number of younger workers applying for jobs because they are protected by this scheme, benefitting society.

There is great demand for young workers as they are able to cope with physical demand and are more flexible (Runge et al., 2019). Primark being involved in this research will better their reputation in the labour market and influence the other 260 firms that are failing to pay worker the legal requirement.

Applying guidelines will give them a greater understanding on youth employment and benefits it will bring.

Personal relevance

The personal interest on this topic is derived from their past experiences on increase NMW affecting them, and how the employers' behaviour changed towards compliance to NMW.

The opinions of Primark employees through the questionnaires will help pinpoint grey areas that employees face. Making it possible for policymakers to uncover key factors that reduce youth unemployment in the labour market that many researchers overlook and how to solve them.

2. Aims and objectives

2.1. Research aims

The aim of this study is to analyse the effects of NMW on young workers productivity, by doing so, we will have an understanding of the impact on increased NMW has on employers such as Primark in the labour market.

2.2. The objective of this study

- To assess the awareness and attitudes toward NMW and measure its impact in the labour market
- To create questionnaires with employees to understand the effects of NMW for Primark
- To measure the attitudes that influence employers behaviour towards compliance with the NMW
- To identify the impact on increase NMW in the UK, without reducing youth unemployment
- To provide a set of recommendation to the Primark to improve guidelines for youth employment in the UK

2.3. Research questions

- How does NMW effect youth employment in the UK?
- Does NMW reduce employment opportunities for young workers?
- Should the UK government promote the NMW to employees and employers in order to reduce youth unemployment?
- How much do employers understand about NMW and do they follow the guidelines?

3. Literature review

The literature review will be based on an analytical SALSA framework, to ensure reliability and validity a systematic review and meta-analysis will be conducted, the aim is to include all research results for NMW on youth unemployment (Grant and Booth, 2009). It is targeted to policymakers to help better understand the existing research findings, in order to make recommendations for Primark.

Most past studies in the last decade have been focused on employee behaviour towards NMW but there is little research that is up to date or existing research on how young and unskilled workers are being affected by NMW and how the increase on NMW has impacted employers. This literature review will include how the NMW impacts young workers employment outcomes and productivity in the labour market. There is a lack of research done in the UK that is focused on youth employment however, other countries such as Spain and France have undertaken research on the effects of NMW to youth employment.

3.1. The impact of national minimum wage on young workers employment

A study done by Card (1992) and Card and Krueger (2000), could not find negative influence on NMW on employment for young and unskilled workers (Conlon et al., 2015). Furthermore, the researchers used cross-sectional data as it is more robust, arguably better informing on how NMW effect employment in reality.

Research conducted by Teulings et al. (1996) and Kalenkoski and Lacombe (2008) found that the increase in NMW led to decrease in youth employment level; when NMW increases the hourly rate of young workers rises, employers respond to this by reducing their hours, eliminate training or cutting jobs. This can be supported by a report done by LPC (2016) that NMW led to small reduction in hours but found little effect on employment. Research conducted by Brochu and Green (2013) found that young workers who have worked less than a year are more likely to leave following a rise in NMW.

However, Dickens et al. (2015) concluded that there is little evidence that increase in NMW had a bad impact on job retention. Furthermore, young workers are most likely to be impacted by youth employment as they are bound by a specific NMW rate regardless of their skillset level (Dickens et al. 2015).

3.2. The impact of national minimum wage on productivity

Employee productivity can be measured through quantity of work, quality of work and timeliness (Gunawan and Amalia, 2015). There is research that suggests that employers respond to increase NMW through increasing training for employees thus raising productivity for young workers. Bester and Petrakis (2003) researched the relationship between wages and productivity growth, the results indicated that wages paid by organisations determines productivity in the workplace. Moreover, other studies suggest that both employees and employers benefit from education and experiences, thus suggesting that they have a significant impact on productivity (Acevedo, 2003).

Additionally, Dickens et al. (2015) studied whether young workers would feel more productive when increase in wage when they turned 18 year old, it was concluded that productivity is unlikely to improve over time.

4. Intended methodology

4.1. Research philosophy

The research philosophy that will be applied in this research is **positivistic**, allowing to reach a larger sample selected randomly carried out in a scientific way (epistemology approach) (Corry et al., 2018). The research is limited to data collection and interpretation in an objective way. Therefore, the data

should be 'factual' without the researchers own personal bias views thus tacking the axiological approach making the research more reliable and valid (Kura, 2012).

The research strategy implemented in this research is a **deductive approach** as it is associated with scientific investigation (Corry et al., 2018). This approach focusses on hypothesis developed from an already existing theory, then testing its implication with data. This approach was chosen as it is straight to the point and can therefore be time saving (Saunders et al., 2012). The aim of this research is to source data from respondents using questionnaire to guide the study to the truth thus allowing the researcher to contribute to existing theories.

4.2. Data collection procedure

The research approach implemented is **quantitative**, this has been selected as positivism believe it is more reliable and 'scientific' in its methods (Corry et al., 2018) thus making it more trustworthy by providing objective information that can be used to make a more scientific assumptions (Kura, 2012). However, when conducting this study the researcher does not have the ability to access to specific feedback or follow up thus creating an unnatural environment (Wilson, 2010).

4.3. Research design

The data collection used in this quantitative research is **mono method**, the research will be conducted through single data collection technique thus providing unbiased and detailed results (Azorin and Cameron, 2010). The primary data will be collected through questionnaires. The content will include open and closed questions, the closed questions will be scaled from 1(strongly disagree) to 5(strongly agree), and the open question will be able to give the research an in depth data analysis.

It will be administrated randomly to 100 Primark employees who have worked at least 1 year in different locations. The researcher has chosen 'SmartSurvey' to conduct their online questionnaires, they will be able to reach a larger sample and can be easily processed. Multiple respondents involved in the questionnaire will increase the validity and reliability. NMW officers will provide contextual information to understand the views of employers that purposely avoid paying the NMW.

4.4. Sampling

Probabilistic sampling will be used for this research because it focuses on testing hypothesis. Sampling method that will be used is **stratified**, this is the most appropriate for the study as the researcher is able to divide subgroups into the relevant characteristics because the aim is to sort the population into two strata based on age (Saunders et al., 2012). **Cross sectional study** will be used to conduct this study, this will provide the research with information about what is happening currently. This involves collecting data from different ages and development levels (Wilson, 2010). This approach is valuable to the research as it provides a better precision in the sampling process as it considers the whole population thus lower error rate as researchers have high level of control.

4.5. Data analysis

Before analysing the data, the researcher intends to check for missing and validate the data. The data will then be analysed using **statistical software SPSS**, this will calculate average scores and correlations between variables, and the reliability and validity of the results. The appropriate statistical method to test the hypothesis would be **regression analysis** because it will examine relationship between two or more variables of interest (Saunders et al., 2012).

4.6. Limitation of research design

However, some limitations should be noted. First, the research intends to use stratified sampling, the researcher should be aware of errors such as certain variables within each subgroups may have local influences that do not apply to other subgroups (Wilson, 2010). Secondly, there are potential challenges of cross sectional studies as it allows bias to affect results and requires a larger sample size to provide accuracy (Conlon et al., 2015). Thirdly, the sample size is small compared to previous studies conducted, there is potential of not identifying relationship and connections within a particular data sets.

5. Ethical consideration

To ensure that primary data is collected ethically, the participants will need to be able to make an informed decision about participation. The beginning of the questionnaire will contain the nature of the research, anonymity will be explained, such as who will have access to the data. This is important especially since the research contains young and vulnerable participants.

For the researcher to process the data they are required to abide by the data protection legislations. The researcher cannot share the data or keep the data longer then needed

6. Resource required/budget

Tools	Description	Total
Materials	The Financial Times (£33 p/month x 6)	£300
	Membership with British Library (electronic paper from print in 2 hours- £35.50)	
	Other material needed e.g. books	
Stationary	Notebook, pen, highlighter, hole punch, USB drive, letter tray, post it note, paper clips	£50
Equipment	Laptop	£1454.90
	Phone calls (100 participants)	
	Other equipment needed	

Software	Smart survey (£17.50 p/month x 3)	£364.51
	Statistical Package for Social Sciences (£80.67 p/month x 3)	
	Excel (£70 p/year)	
Printing	Printing drafts	£90
	Print and spiral binding (1 copy £5 for maximum of 250 pages. 3 copies needed)	
Lunch	During meeting	£220
	Transportation	
Total		£2,479.41

7. Timescale

The researcher anticipates that the study will be conducted in six months, for a detailed timeline a Gantt chart has been used ([Appendix 2](#)). The study is expected to start September 2020, and data collected by November 2020. By January 2021, finalised draft will be handed to supervisor, the deadline for the research will be concluded in February 2021.

8. Conclusion

In conclusion, the primary goal of this project is to present the effects of NMW has on youth employment. The relevance on this topic has been distinguished throughout the report as it covers a limited amount of past literature which has been significantly understudied. The result of this research will develop on present literature for employers such as Primark. By analysing the key factors that reduce youth unemployment, this research will give recommendations to policymakers through distinguishing gaps in unemployment. Quantitative primary data will be collected, then comparing results with the literature review to compare key findings on the hypothesis. The research has given detailed methodology on sampling methods and data collection with reasoning on selection which will help guide towards the aims and objective of the study.

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Appendices

Appendix 1: NMW for different age groups

	Rate from 1 April 2018	Rate from 1 April 2019
NLW for workers aged 25 and over	£7.83	£8.21
NMW main rate for workers aged 21-24	£7.38	£7.70
NMW 18-20 rate	£5.90	£6.15
NMW 16-17 rate for workers above school leaving age but under 18	£4.20	£4.35
NMW apprentice rate *	£3.70	£3.90

Source: Runge et al (2019)

Appendix 2: Gantt chart

	September			October			November			December		January		February											
Week Number	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	
Holiday																									
Read literature	■	■																							
Finalise objectives		■																							
Draft critical literature review		■	■																						
Read methodology literature			■	■																					
Devise research approach				■																					
Draft research proposal				■	■																				
Develop questionnaire							■	■																	

