

Low Pay Commission

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Dear Colleague

INVITATION TO TENDER FOR RESEARCH FOR THE 2016 REPORT

The Low Pay Commission (LPC) has an ongoing remit to monitor the operation of the National Minimum Wage, and to assess the impact of increases in the level of the minimum wage. It undertakes continuous evaluation of the impact of minimum wage upratings on the sectors and groups of workers most affected, and on the labour market more generally. The LPC draws upon a range of evidence in making its assessment, including a number of research projects commissioned specifically to inform its recommendations. As in previous years, the LPC wishes to commission a number of new research projects to inform its future work.

The Low Pay Commission invites tenders for research that the Commission considers to be of particular importance. The topics we wish researched include:

- 16/1 the impact of the minimum wage on employment and hours;
- 16/2 an investigation into the impact of the minimum wage regime on the labour market outcomes of young workers; and
- 16/3 an investigation into the causes of non-compliance with the Apprentice Rate pay structure.

In addition to the detailed projects specified, the Commission also invites proposals for other projects (16/9) that: address new topics in relation to the minimum wage; look at those issues that have not previously been examined in any great depth; or are extensions of previous work. Within this project area, we are particularly interested in studies that:

- consider the findings of previous research on the impact of the minimum wage on employment and hours in the UK using a META-analysis approach;

- improve our understanding of non-compliance, including an evaluation of the impact of changes to the regulatory regime and an assessment of the effectiveness of the different approaches used to reduce non-compliance;
- analyse the impact of different minimum wages across a shared geographic border, for example, Northern Ireland and the Republic of Ireland;
- make use of alternative and/or under-used data sets; and
- give insight into the impact on small businesses, especially concerning price-setting, profits, productivity, and investment (in capital and in training).

The LPC is particularly keen to maximise the budget available for research this year. We therefore particularly encourage proposals which, where appropriate, link a number of the above topics. We are also keen for researchers to present new innovative, smaller scale proposals, though these might address only part of a topic. Information about previous LPC research projects is available on our website at <https://www.gov.uk/government/publications/low-pay-commission-lpc-research-2014>.

Please find enclosed the detailed tender specifications. I would be grateful if you could circulate this invitation as widely as possible within your organisation and to any other interested parties. The specifications and the application form will be available on our website and on Contracts Finder.

You must bear all the costs associated with the preparation and submission of your bid. The LPC is looking to commission, in full or in part, tenders for research that best meet its research objectives and represent the best overall value for money, but reserves the right not to award a contract. LPC standard terms and conditions of contract for services apply and a copy of these is available on request. **We will deem submission of the tender as acceptance of these terms and conditions.**

The Government has introduced a new portal for all research tenders across government managed by UK SBS. We will put application details on our [website soon](#). The deadline for applications will be **10am on Monday 2 March 2015**. If you are interested in responding please contact me at tim.butcher@lowpay.gov.uk (or 020 7211 8198), or my colleague, Helen Connolly at helen.connolly@lowpay.gov.uk or on 020 7211 8204. We are happy to discuss the work of the Low Pay Commission and the tender process.

Yours sincerely

Tim Butcher

Chief Economist and Deputy Secretary

Low Pay Commission

Enclosures: Invitations to Tender – references 16/1–16/3 and 16/9

AN INVESTIGATION INTO THE IMPACT OF THE MINIMUM WAGE ON EMPLOYMENT AND HOURS**Project Summary**

1. The Low Pay Commission (LPC) again wishes to explore the impact of the National Minimum Wage on key variables in the economy. The LPC invites tenders for an econometric study of the minimum wage on employment and hours. While the Commission is interested in the effect on employment and hours outcomes arising from recent increases in the NMW, we are particularly keen to receive applications that take an innovative approach to understanding the broader impacts on employment outcomes. These may include, but are not restricted to, the use of novel data sources such as previously unexploited data sources or new forms of data such as employer payroll data; impacts on flows of workers into and out of minimum wage jobs; and the longer-term impacts of the minimum wage since its introduction. We would also be interested in whether the impact has differed between groups in the labour market such as by age, gender, skill groups and different regions.

Background

2. The minimum wage has been in place for more than fifteen years. Over that time the LPC has monitored its impact on employment in the aggregate economy, and in low-paying sectors in particular, using a number of data sources and methodologies. We have examined in detail data from national surveys to give trends in wages and employment across different sectors and groups of workers; conducted our own surveys of firms in low-paying sectors; commissioned research in particular areas of interest; and consulted a wide range of employer organisations, trade unions, research organisations and individuals through meetings and visits.

3. An important part of assessing the impact of the minimum wage is to examine the effect on the labour market. This is a sensitive area because critics of minimum wages often cite the adverse employment effects resulting from them. The LPC's 2014 Report contains our most recent assessment of the impact of the minimum wage to date.¹ The report analyses the impact of the minimum wage on earnings and pay differentials; employment and hours; training and productivity; profitability and prices; and business start-ups and failures. Overall it found that the steady rise in the minimum wage meant that more employers than previously were affected, both directly, as more employees were being paid at the minimum wage, and indirectly, as it exerted a growing influence on pay-setting and pay structures. However, the research conducted or commissioned by the Commission (and independent research) suggests that the minimum wage has had limited adverse effects on employment levels but that businesses may have adjusted hours, reduced non-wage benefits, increased prices to their customers and squeezed profit margins. More recent evidence suggests that employment outflows among part-time females paid at the minimum wage may have increased somewhat through the recession.

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https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/288847/The_National_Minimum_Wage_LPC_Report_2014.pdf

4. In previous research, five general approaches have been adopted by researchers to identify employment and hours effects: the use of aggregate, time series data; the use of individual data; the use of the geographical variation in coverage and bite; the use of industry or firm data; and case studies.

5. The international research (OECD, 1998; Neumark and Wascher, 2004 and 2008) using time series data across countries has generally showed that minimum wages have had a statistically significant negative impact on employment. However, the general consensus of the research conducted in the UK finds no such strong results. Indeed, studies using time series of industries have generally found no evidence of a negative impact of (Wages Council set) minimum wages on employment in the UK in the 1980s or 1990s.

6. Data on individuals have been used by researchers to assess the impact of the minimum wage on employment and unemployment. The impacts of the introduction of the minimum wage and subsequent upratings have been investigated, including those covering the period since the onset of recession. In general, these studies have again found little adverse impact of the minimum wage on employment. However, a couple of recent studies have found negative effects on the employment of female part-time workers on introduction of the minimum wage and during the recession in some econometric model specifications.

7. Taking advantage of variations in pay across geography, researchers have used spatial analysis to investigate the impact of the minimum wage on employment. They have compared the probability of employment or employment growth in the lowest wage areas with the probability of employment or employment growth in slightly higher wage areas. In general this research has also found very little impact of the minimum wage on employment.

8. In contrast to these findings, using data on firms and industries rather than individuals, one study found that the minimum wage had adversely affected employment growth in the lowest-paying areas. However, other studies using firm and industry data have found no such adverse employment effects.

9. As well as employment, researchers have also investigated the impact of the minimum wage on hours. There appears to be more evidence of effects with regards to hours than employment. A few studies have found significant reductions in hours as a result of the introduction or subsequent increase in the minimum wage, although none of these found that the reductions in hours were sufficient to reduce weekly earnings. The adverse employment and hours effects that have been found in some studies have generally been stronger for young people than adults.

10. Other studies have looked at the impact of the minimum wage on unemployment. Taking three approaches – following individuals over time; using the geographic variation; and using predicted entry wages – these studies have generally concluded that the minimum wage has had no adverse negative effect on the probabilities of unemployed adults entering work or on job entry rates. Indeed, some studies have found positive effects on labour supply.

11. Case studies have also been conducted looking at both firms and industries. These have also generally found little adverse impact on employment. The exception to this was

social care, where an early study found some adverse employment effects on introduction of the minimum wage. However, more recent studies of this sector have found that firms are now more likely to absorb increased labour costs by reducing profits.

12. As part of our continuing evaluation, we wish to assess the impact of the latest minimum wage upratings on the demand for, and supply of, labour – covering effects on both jobs and hours, particularly during and after the severe economic recession that the UK has just experienced.

Aims and Objectives

13. One key aim of the project is to investigate the effect of the National Minimum Wage on the employment and hours outcomes of low-paid workers and firms in low-paying sectors. The LPC is particularly interested in how increases in the NMW have affected employment and hours, as the UK has recovered from recession.

14. A further aim of the project is to build a greater understanding of the broader employment effects arising from minimum wages. We would therefore encourage applicants to consider novel approaches to estimating the impacts that are differentiated from previous analysis conducted on behalf of the Commission. We would invite applicants to consider alternative or new data sources that have been under-exploited.

15. Recent analysis from the US and Canada find that increases in the minimum wage, rather than reducing employment, changes the flows into and out of jobs. For example, Dube, Lester and Reich (2014) find reductions in workers' transitions into and out of jobs. We invite applicants to consider whether this phenomenon is apparent in the UK context. Other recent studies include analysis of payroll data, such as that of a large retail company in the United States by Giuliano (2013), and a look at the impact of minimum wage changes on turnover rates using individual data (Brochu and Green, 2013).

16. We would also consider a careful meta-analysis of existing studies on minimum wage effects, the tender for which is included under project 16/9: Other Research Topics in Relation to the National Minimum Wage. The proposed research should also aim to improve the understanding of the different impacts on sub-groups within the labour market and the economic conditions that may result in poor employment outcomes.

Research Methods and Data Sources

17. Potential contractors should specify the techniques, econometric or otherwise, that they intend to employ. Tenders should also state which data are to be used, and give some indication of their strengths and limitations and in particular whether the available data will restrict the analysis in any way. Appropriate data sources for this type of analysis might be the Labour Force Survey, the Annual Survey of Hours and Earnings and the British Household Panel Survey. The LPC is keen to receive applications that seek to use new data sources or methodologies.

18. The research should use up to date, appropriate, econometric techniques, in line with recent studies. It is essential that the methodology and analysis stands up to external scrutiny by professional academics, economists, statisticians and analysts. The tender should outline the time period of the data to be analysed.

Proposed Timetable

19. The timetable for the project is as follows:

Deadline for submission of tenders:	2 March 2015
Selection of contractor:	early-March 2015
Presentation of methodology and emerging findings at research workshop:	13 April 2015 (from lunchtime)
Interim reports:	Date agreed on an individual basis
Presentation of final findings at research workshop:	18 September 2015 (all day)
Presentation to Commissioners:	15 October 2015 (afternoon)
Agreed final report:	13 November 2015
Publication:	March/April 2016

20. Potential contractors should provide a provisional timetable to meet the above requirements and take account of the following stages of project design and reporting:

- Finalising the contract. Initial meeting with LPC Secretariat to finalise timetable, scope and working arrangements.
- Submission of draft topic guide.
- Presentation of research scope and methodology at workshop on 10 April 2015.
- Main analysis.
- Submission of interim report.
- Meeting to discuss interim findings.
- Short project summary and discussion of policy implications prior to the workshop.
- Presentation of findings at the research workshop on 18 September 2015.
- Non-technical presentation of findings to Commissioners on 15 October 2015.
- Submission of draft final report.

21. The contractor will be expected to present their proposed research scope, methodology and data sources to a workshop on 13 April. Comments on initial drafts of the report can be expected, and the timetable should allow for subsequent revisions. The contractor will also be expected to present their findings in a non-technical way to the Commissioners at their Commission meeting on 15 October 2015. In addition, the contractor will be expected to participate in a whole day workshop on 18 September 2015, in which they will be invited to present provisional findings to a group including academic experts, government analysts, policymakers and members of the LPC.

Outputs

22. The initial primary audience for this work will be the LPC. The main output of the study will be a report, detailing the aims and objectives of the research, the methodology adopted and the main findings. The report should include a brief non-technical Executive Summary. Ten bound copies of the final report and an electronic copy (preferably Word and pdf format) for the LPC website will be required. The LPC will make the findings publicly available, and a synopsis of the report will be included in the Low Pay Commission's 2016 Report.

Estimate of Costs

23. Tenders should give an indication of the costs of different elements of the research project, and the accruals timetable. It is envisaged that payment will be made by the LPC

in tranches, on completion of key stages of the project. Please state clearly whether these costs are exclusive or inclusive of VAT, and whether your organisation charges VAT.

Tender Evaluation

24. The following criteria will be used in assessing the tenders:

- Understanding of the requirements;
- Proposed methodology and data sources;
- Project management arrangements and quality control procedures, including ability to achieve the project timescales;
- Relevant previous experience of those assigned to the project;
- Value for money; and
- Overall cost.

25. In light of continued public sector spending constraints, particular emphasis will again be placed on price.

AN INVESTIGATION INTO THE IMPACT OF THE MINIMUM WAGE REGIME ON THE LABOUR MARKET OUTCOMES OF YOUNG WORKERS**Project summary**

1. The Low Pay Commission (LPC) invites tenders for a further examination of the impact of the current minimum wage regime on the labour market outcomes of young people aged 16–24. We are particularly interested in three key areas:
 - a. The impact of the smaller increases in the youth rates between 2010 and 2014, including the freeze in October 2012.
 - b. Longer-term analysis of the change to age 21 of entitlement to the adult rate in October 2010.
 - c. The impact of changes to the education participation age in England.
2. This research will inform the LPC's assessment of the current relativities of the youth minimum wage rates (for 16–17 year olds and 18–20 year olds) to each other and to the adult rate and their scope.

Background

3. Both the adult rate and the Youth Development Rate increased by around 64 per cent between April 1999 and October 2010. The 16-17 Year Old Rate was introduced in October 2004 and it too more or less kept pace with the increases in the other two rates until October 2010. However, in recent years the youth rates have been increased by less than the adult rate and in 2012 were frozen. The relativity of the Youth Development Rate to the adult rate of the NMW has fallen from around 83 per cent in 2010 to 79 per cent in 2014. That between the 16-17 Year Old Rate and the adult has also fallen, from around 61 per cent to 58 per cent. Meanwhile, the 16-17 Year Old Rate has remained at about 74 per cent of the Youth Development Rate. Our caution resulted from the clear deterioration in the employment prospects of young people; some tentative research findings that the minimum wage may have affected their employment; and analysis that showed that average wages for young people had increased at a much slower rate than older workers since 2007.
4. Our latest report, the 2014 Report, sets out our latest assessment of the youth labour market. In 2014, we commissioned research by London Economics (forthcoming, March 2015) to look at the impact of the slower increases in the youth rates from 2010, including the freeze in 2012. Those findings will not be published until March 2015, but we wish to further explore them.
5. The age of entitlement to the adult rate was reduced to 21 in October 2010. Research to date has suggested that the minimum wage had little effect on the employment outcomes of those becoming 22 prior to October 2010 (Dickens, Riley and Wilkinson (2010), and Fidrmuc and Tena Horriilo (2011)) or on those becoming 21 since October 2010 (Fidrmuc and Tena Horriilo (2013)), although the latter research did find some effects a year before the change in entitlement. London Economics (forthcoming, March 2015) also found little impact on becoming 21. We wish to continue to monitor the position of 21 year olds as the economic recovery strengthens.
6. The LPC has emphasised in previous reports that it did not wish to encourage young people to leave education or training positions, nor to harm their employment or

training opportunities, and therefore needed to consider further the relationship between any minimum wage and education policy to determine the appropriate level at which the rates should be set. While the minimum wage applies to all the countries in the UK, the structure of education and training varies between them. The participation age in England rose to 17 in 2013 and will rise to 18 later this year, 2015. It will not be increasing in the other countries of the UK. The LPC will therefore need to take account of different education and training policies and, as far as possible, is looking to commission research that covers and compares all the countries in the UK.

Aims and objectives

7. The aim of this study is threefold:
 - a. to investigate the effect of the increases in the minimum wage for youths that have been smaller than those for adults since 2010, including the freeze in October 2012;
 - b. to investigate the longer-term effects of the change in the age of entitlement to the adult rate to age 21; and
 - c. to assess the impact of changes to the participation age in England and its implications for the youth minimum wage rates and the Apprentice Rate.

8. The research should examine the relationship between wages, employment, and hours worked, addressing as far as possible the full range of labour supply and labour demand decisions. The LPC is particularly keen to better understand the employment effects (including hours) of the minimum wage for young workers.

9. In looking at the impact of raising the participation age, this study should investigate the link between the level of wages and the decision to undertake work, training or study for young people, taking account of employers' demand for young people and the provision of training. It should identify, where possible, which young people are most likely to be influenced by a change in wages – whether by age group, gender, qualifications, region or family background. It should also distinguish between those in full-time education and those not. Further, it should look at whether there are different effects in the low-paying industries and in small or medium-sized firms. It could also consider examining international evidence and make use of recent changes to minimum wage regimes in other countries for young workers, for example, in Greece and New Zealand.

10. Specifically the study might cover all or some of the following:
 - investigate the impact of the recent slowdown (and freeze) in the minimum wages of young people relative to those for adults;
 - explore the current relativities of the youth rates in relation to each other and the adult rate;
 - investigate whether there is any evidence of job substitution between age groups as a result of these relativities;
 - investigate the impact of reducing the age of entitlement for the adult rate to 21;
 - investigate international evidence to assess whether the UK can learn from the experience of others when changing relativities or age entitlements to the minimum wage;
 - explore the implications for the minimum wage of raising the participation age in England.

Research Methods and Data Sources

11. It is anticipated that this study will use econometric analysis of existing data to examine the issues mentioned above. Tenders should specify which data are to be used, and give some indication of their strengths and limitations and in particular whether the available data will restrict the analysis in any way. Potential contractors should also discuss the appropriate statistical techniques that will be used in the analysis and identify which countries (of the UK) will be covered.

12. The research should use up to date, respected, methods, in line with recent studies. It is essential that the methodology and analysis stands up to external scrutiny by professional academics, economists, statisticians and analysts.

See Tender specification 16/1 for Proposed Timetable, Outputs, Estimate of Costs and Tender Evaluation.

AN INVESTIGATION INTO THE CAUSES OF NON-COMPLIANCE WITH THE APPRENTICE RATE PAY STRUCTURE**Project summary**

1. The LPC is looking to gain a better understanding of why, according to the latest BIS Apprentice Pay Surveys (APS) and the Annual Survey of Hours and Earnings (ASHE), so many apprentices are paid less than their minimum wage entitlement. In light of those findings from the APS 2014 and ASHE 2014, the Low Pay Commission (LPC) invites tenders for a further examination of the reasons for non-compliance with the National Minimum Wage for apprentices, including a focus on whether the structure of the Apprentice Rate; non-payment of college hours; and/or lack of awareness may be factors.
2. This research will inform the LPC's understanding of the extent and reasons for non-compliance with the Apprentice Rate and will build on research recently conducted for us by Drew, Ritchie and Veliziotis (forthcoming, March 2015).²

Background

3. Since its establishment in 1997, the LPC has closely monitored the issue of apprentice pay. In response to our remit for the 2009 Report, we carried out a review of the apprentice exemptions from the National Minimum Wage and advised that an apprentice minimum wage be introduced. The Government then asked us, as part of our remit for the 2010 Report, to consider the detailed arrangements for a minimum apprentice wage. We recommended that an Apprentice Rate set at £2.50 an hour be introduced in October 2010 but we noted the lack of high quality data on apprentice pay. That introductory rate was equivalent (for 38 hours a week) to the minimum contractual weekly pay of £95 required by the Learning and Skills Council for government-funded apprenticeships in England. There were recommended wage rates for government-supported apprenticeships elsewhere in the UK, but no similar contractual requirement as operated in England.
4. The Low Pay Commission has commissioned a number of research studies that have looked at the issue of apprenticeships and apprentice pay. Cox, Denvir and Pearmain (2009) carried out a qualitative survey of a small number of employers to explore their perspectives on apprenticeships and in particular pay and the then exemption from the NMW. Lawton and Norris (2010) complemented this analysis by looking at the perspectives of apprentices and young people. Ipsos MORI and Cambridge Policy Consultants (2012) undertook an assessment of the impact of the introduction of the Apprentice Rate, primarily from an employer perspective, but also considering training providers and careers advisers, for our 2012 Report. Speckesser and Behling (2013) carried out an impact analysis of the introduction of the Apprentice Rate of the National Minimum Wage for the 2013 Report. Our 2014 Report included research from London Economics (2014), which compared apprentice pay structures across countries. All of these research reports can be downloaded from

² An advanced draft version of the report is available from us for those researchers interested in this tender. Please note that it can only be used for tender purposes and not more widely cited until after our 2015 Report is published, likely in March 2015.

<https://www.gov.uk/government/publications/low-pay-commission-lpc-research-2014>. Our latest research on apprentice pay was conducted by Drew, Ritchie and Veliziotis (forthcoming, March 2015). It contains some insights into the issues of non-compliance.³

5. The introduction of the Apprentice Rate coincided with the implementation of the marketing freeze by the Coalition Government that greatly reduced the resources available for disseminating the major changes occurring in the regulation of pay for apprentices. Apprentices under 19 or those aged 19 and over who had been in their apprenticeships for less than 12 months were exempt from the National Minimum Wage until October 2010, although apprentices on government-funded schemes in England had been covered by the Learning and Skills Council weekly rate since 2005. On 1 October 2010, those previously exempt became entitled to the Apprentice Rate. Since then, the Apprentice Rate has risen by 9.2 per cent and is currently £2.73 an hour.

6. Since 2010, the Department for Business Innovation and Skills (BIS) have carried out three Apprentice Pay Surveys (APS), in 2011, 2012, and 2014.⁴ It is likely that these data would be available for analysis as part of this project. The APS 2011 found that 20 per cent of all apprentices were paid less than their minimum wage entitlement, and that this proportion was higher for young apprentices. The APS 2012 found higher levels of non-compliance but there are some issues with the methodology, sampling and timing of the data derived from that survey. The two most recently released sources of information – APS 2014 and the Annual Survey of Hours and Earnings (ASHE) 2014 – found lower non-compliance than the 2011 or 2012 APS and the 2013 ASHE, although the latter had not been quality-assured by ONS for such purposes. But they both suggest that non-compliance with the apprentice pay structure of the National Minimum Wage is higher than non-compliance with the other minimum wage rates.

7. The APS 2014 found that non-compliance was 14 per cent for all apprentices. That is, the percentage paid less than their entitlement under the Apprentice Rate structure. In ASHE 2014, that percentage was 9 per cent. In ASHE, much of the non-compliance was concentrated just below the Apprentice Rate for those under 19 or for those aged 19 and over in the first year of their apprenticeship. This suggested that it might be due to measurement error in the hourly wage variable and thus not necessarily deliberate on the part of employers. For those aged 19 and over in their second year of apprenticeship, no such clustering was found. In the APS, non-compliance was greater and did not appear to cluster just below the legal rate. In both recent surveys, non-compliance was highest among young apprentices and those aged 19 and over in the second year of their apprenticeship.

Aims and objectives

7. The aim of this study is to gain a better understanding of the reasons for the high estimates of non-compliance among apprentices and why the estimates from the two sources of information (ASHE and APS) differ quite widely.

³ See footnote 2.

⁴ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/32286/12-p137-apprenticeship-pay-survey-2011.pdf; <https://www.gov.uk/government/publications/apprenticeship-pay-survey-2012>; and https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/387319/bis-14-1281-apprenticeship-pay-survey-2014.pdf.

8. The research should assess the extent of non-compliance with the minimum wage, particularly focusing on young apprentices, and those aged 19 and over in their second (or more) year of study. We are particularly interested in the source of non-compliance. Specifically the study should consider:

- the extent to which non-compliance is related to the under-reporting (or non-payment) of college hours;
- whether lack of awareness of minimum wage rules for apprentices is a factor;
- the role of training providers in disseminating the appropriate information on apprentice pay; and
- whether employers find the current structure of the Apprentice Rate difficult to understand.

9. We would also like to know whether non-compliance with the minimum wage is related to the characteristics of either the apprentice or the type of apprenticeship.

Research Methods, Data Sources and Sampling

10. The methods and data used are at the discretion of the prospective researchers, but these should be specified in detail. It is anticipated that this study will use a combination of existing data and new sources of information to examine the issues mentioned above. The successful researcher would have access to the BIS Pay Survey data but would be expected to supplement this by undertaking a qualitative study, in order to provide insights into the causes of why the quantitative surveys yield relatively large estimates of apprentices paid less than their minimum wage entitlement.

11. We would like the tender therefore to set out in detail the interview or survey techniques that would best meet this objective. Tenders should indicate the method to be used for selecting apprentices (or firms that provide places) for survey or interview, and the anticipated achieved sample. The tender should discuss the rationale behind the selection of apprentices (or employers) for interview, how they will be approached and the countries (of the UK) to be covered. Tenders should give an overview of topics to be covered in the interviews, and an indication of the questioning technique(s) to be adopted. The tender should also highlight the strengths and note any limitations of the approach taken.

12. The research should use up to date, respected, methods, in line with recent studies. It is essential that the methodology and analysis stands up to external scrutiny by professional academics, economists, statisticians and analysts.

See Tender specification 16/1 for Proposed Timetable, Outputs, Estimate of Costs and Tender Evaluation. In exceptional circumstances, we would consider changes to the timetable, such as a longer-term project that enabled follow-up of the responses from the Apprentice Pay Survey; the collection of required information; or the co-operation of other organisations, such as the Skills Funding Agency or HMRC.

OTHER RESEARCH TOPICS IN RELATION TO THE NATIONAL MINIMUM WAGE**Project Summary**

1. The Low Pay Commission (LPC) invites tenders from researchers with ideas for new or other research that could fruitfully be carried out in relation to the National Minimum Wage (NMW), and which would prove to be a suitable project for the LPC to commission.

Background

2. The LPC recognises that there may be areas of investigation worth pursuing that we have not yet identified, or which have not previously been considered in great depth. Researchers who believe that they have a worthwhile proposal that would fall into these categories are welcome to submit it for consideration. We would also encourage proposals from those who wish to extend current research on the impact of the minimum wage, whether that original research was funded by us or another organisation.

Aims and Objectives

3. To fill any gaps in the LPC's knowledge that may exist and of which the LPC is presently unaware; to address the "unknown unknowns"; to examine areas which have not been considered in any great depth in the literature; or to enable an extension of previous work. Further areas of work that we have identified as particularly interesting for the Commission include the following:

- A meta-analysis of existing studies on the employment effects of minimum wages. The aim here is to better understand the different impacts on sub-groups within the labour market and the economic conditions that may result in poor employment outcomes. New techniques have recently been developed that strengthen the conclusions from such meta-analysis (see Stanley, 2008; Doucouliagos and Stanley, 2012; and Belman and Wolfson, 2014). We believe there is scope for an updated evaluation of UK minimum wage studies that builds on the work of de Linde Leonard, Doucouliagos and Stanley (2013).
- Our understanding of non-compliance with the National Minimum Wage is somewhat underdeveloped. HMRC have introduced some new approaches to tackling non-compliance including the introduction of naming and shaming of employers found to be under-paying the NMW. We would welcome new initiatives in this area that would help us to better understand the extent and causes of non-compliance. This may include an analysis of compliance for different sub-groups in the labour market and an evaluation of the effectiveness of the different approaches used to reduce non-compliance. We would consider applications that draw on the experience and evidence from outside of the UK context.
- We are also interested in potential geographic border issues concerning minimum wages. The existence of different minimum wages in the Republic of Ireland and Northern Ireland can potentially be exploited to understand the impacts of changes in minimum rates on labour market outcomes. There is freedom of movement across this boundary, essentially creating a labour market that allows for flows of workers in each direction. The Irish minimum wage has been held fixed in nominal terms since 2007 at €8.50 an hour, apart from a temporary reduction of €1 between

February and July 2011. In contrast the NMW in the UK has seen increases over this period of time, rising to £6.50 an hour by October 2014. But it remains well below the value of the minimum wage in Ireland. These differences in minimum wage policy across this border can potentially provide the basis for analysis of different labour market outcomes. The potential challenges to such an analysis are the existence of consistent data sources across the two countries and the fact that there are currency differences between the UK and Ireland. We welcome tenders that have a convincing strategy for overcoming these potential problems.

- We expect there to be other outcomes from changes in the NMW, as well as employment, wages, and hours that can be estimated from under-used data sources. Possible data sets are the 2011 Workplace Employee Relations Survey; Understanding Society and the Family Resources Survey.
- We are also interested in any studies that could provide further insight into the impact of the minimum wage on businesses, especially the impact on small firms. In recent years, we have commissioned research, for example Riley and Rosazza Bondibene (forthcoming, March 2015),⁵ that uses two large business data sets (Financial Analysis Made Easy (FAME) and the Annual Respondents Database (ARD)). We are keen to see researchers use alternative data and information resources to complement the previous analysis. We are interested in the affordability of any increases in the NMW. Thus we would particularly welcome any insights into the impact of the NMW on price-setting, profits, productivity, and investment (in capital and in training).

4. We welcome tenders that address any of these areas of research or indeed any other gaps in our knowledge.

Research Methods and Data Sources

5. The methods and data used will be entirely dependent on the project, and these should be specified in detail by the prospective researchers. The research should use up to date, respected, methods, in line with recent studies. It is essential that the methodology and analysis stands up to external scrutiny by professional academics, economists, statisticians and analysts.

See Tender specification 16/1 for Proposed Timetable, Outputs, Estimate of Costs and Tender Evaluation. In exceptional circumstances, we would be willing to consider changes to the timetable, such as a longer-term project that enabled collection of required information or enabled the co-operation of another organisation, such as HMRC.

⁵ An advanced draft version of the report is available from us for those researchers interested in this tender. Please note that it can only be used for tender purposes and not more widely cited until after our 2015 Report is published, likely in March 2015.