

Review into the current methodology of agreeing proposals in respect of the Minimum Wage and its link with the Living Wage

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**Isle of Man
Government**

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Glossary

Isle of Man Minimum Wage	<p>The Isle of Man Minimum Wage is the legal minimum that can be paid to any worker who has ceased to be of compulsory school age (currently 16) and who ordinarily works in the Island. There are currently two bands with a lower rate for those over 16 but under 18.</p> <p>The rate is set out in regulations made by the Department for Enterprise and the Treasury acting jointly after consultation with the Minimum Wage Committee.</p> <p>https://www.gov.im/categories/working-in-the-isle-of-man/employment-rights/minimum-wage/</p>
Isle of Man Living Wage	<p>The Isle of Man Living Wage is calculated by Statistics Isle of Man (previously the Economic Affairs Division from 2017 until 2020). This is in contrast to the situation in the UK, where the (Real) Living Wage is calculated by an independent think tank (the Resolution Foundation) working in conjunction with the Living Wage Foundation and the Centre for Research in Social Policy at Loughborough University.</p> <p>The Isle of Man Living Wage is largely calculated in accordance with the methodology followed by the Resolution Foundation in the UK, with some adjustments made to reflect living in the Isle of Man.</p> <p>https://www.gov.im/about-the-government/departments/cabinet-office/statistics-isle-of-man/isle-of-man-living-wage/</p>
UK Real Living Wage	<p>The Real Living Wage is a UK rate calculated independently by the Living Wage Foundation based on the cost of living.</p> <p>The Real Living Wage is calculated by the Living Wage Foundation in conjunction with the Resolution Foundation and the Centre for Research in Social Policy at Loughborough University.</p> <p>The Government's 'National Living Wage', or minimum wage rate is separate to the Real Living Wage rate calculated by the Living Wage Foundation.</p> <p>https://www.livingwage.org.uk/what-real-living-wage</p>
UK National Living Wage	<p>The UK's legal minimum wage rate is called a National Living Wage (for those aged 21 and over) and a National Minimum Wage (for those of at least school leaving age). The rates change on 1 April every year. The calculation is based on median earnings data.</p> <p>The Low Pay Commission advises the government about the rates of the National Living Wage and the National Minimum Wage.</p>

	<p>In 2019, the UK government set a target for the National Living Wage to reach two-thirds of median earnings by 2024 for workers aged 21 and over.</p> <p>https://www.gov.uk/national-minimum-wage-rates</p>
UK National Minimum Wage	<p>The UK's legal minimum wage rate is called a National Living Wage (for those aged 21 and over) and a National Minimum Wage (for those of at least school leaving age). The rates change on 1 April every year.</p> <p>The Low Pay Commission advises the government about the rates of the National Living Wage and the National Minimum Wage.</p> <p>https://www.gov.uk/national-minimum-wage-rates</p>
UK Low Pay Commission	<p>The Low Pay Commission (LPC) is an advisory non-departmental public body, established under the National Minimum Wage Act 1998.</p> <p>The LPC advise the Government on the levels of the National Minimum Wage (NMW), including the National Living Wage (NLW). They make recommendations to the Government each autumn. New NMW rates come into force on the first of April each year.</p> <p>https://www.gov.uk/government/organisations/low-pay-commission</p>
Median Earnings	<p>Median Earnings are calculated by identifying the exact middle point in a set of earnings data. When data (individual earners) is ranked from lowest to highest, the median is the value in the exact middle of the observed values. It is the preferred measure of average earnings as it is less affected by a relatively small number of very high earners than the mean.</p> <p>https://www.gov.im/about-the-government/departments/cabinet-office/statistics-isle-of-man/earnings-survey/</p>
Pragmatix Advisory	<p>Pragmatix Advisory is a consultancy of economists, strategists, social scientists and policy specialists that deliver tailored research.</p> <p>Pragmatix Advisory were commissioned by the Isle of Man Minimum Wage Committee to advise on the potential socio-economic impact of increasing the minimum wage from its current rate to the living wage by the spring of 2025.</p> <p>https://www.gov.im/media/1385882/2024-06-05-harmonization-of-wage-rates-business-harm-versus-households- compressed.pdf</p>
OECD Low Pay	<p>Wage levels are divided by low pay and high pay. The incidence of low pay refers to the share of workers earning less than two-thirds of median earnings. The incidence of high pay refers to the share of workers earning more than one-and-a-half time median earnings. Data refers to full-time employment.</p>

	https://www.oecd.org/en/data/indicators/incidence-of-low-and-high-pay.html
EU Monetary Poverty	<p>The at-risk-of-poverty rate is defined in relation to a threshold set at 60% of national median income, reflecting the relativeness of poverty in time and place.</p> <p>https://www.europarl.europa.eu/RegData/etudes/IDAN/2016/579099/EP_RS_IDA(2016)579099_EN.pdf</p>
Relative Poverty	<p>Relative income poverty, where households have less than different thresholds of median income, adjusted for family size - the most commonly used poverty line is 60% of median income.</p> <p>https://www.jrf.org.uk/what-is-poverty</p>

Executive Summary

The concept of a Minimum Wage is one which is widely accepted as the legal threshold of protection for lower paid workers that can allow them to support themselves and their families. However, counter to this is the pressure that increases in the Minimum Wage can have on employers, particularly small businesses which are less able to absorb increased costs, which can put at risk the jobs of those which the Minimum Wage is trying to protect. Recognising that this is often a matter which divides opinion, it is important that the balance is found between protecting potentially vulnerable low-wage individuals, whilst also safeguarding a business's viability.

Scope and Objectives of the Report

This report's objective is to explore the current methodology of agreeing proposals in respect of the Minimum Wage and its link with the Living Wage. Various economic models, literature, and jurisdictional comparisons have been used alongside a wide range of stakeholder engagement to determine the impact of the existing methodology and alternatives that should be considered.

This report has been produced to investigate the various options to calculate the Minimum Wage rate, rather than to calculate the rate itself. It is natural that, during discussions on this topic, many will wish to relate to something tangible, namely the hourly legal minimum for which a person could earn. While, for the benefit of a full evaluation of the options, example rates will be used, this report will not recommend an exact amount to be implemented immediately. Once the report is discussed in Tynwald, the required legislation will be brought forward and calculations will be made using the preferred methodology.

Currently, the Minimum Wage is proposed by the Department for Enterprise (DfE), acting jointly with Treasury and is subject to the approval of Tynwald. In bringing forward proposals DfE and Treasury must consult, and consider any recommendations made by the Minimum Wage Committee, which is a statutory committee containing an independent chair, two employer representatives and two representatives of workers (typically trade union nominated members). The Minimum Wage Committee may also take evidence from statistical data (including inflation and earnings data) and individual submissions. However, given that the Minimum Wage Committee can convene 'from time to time' this can lead to unpredictable increases to the Minimum Wage which can impact forward planning both for individuals and employers as well as inconsistencies in the rates of increase, timings of increases, and how closely they align to increases in either inflation or median earnings.

The totality of this research has led to two different options being primarily explored, aside from maintaining the status quo. Namely:

- basing the Minimum Wage on the Living Wage, which is an amount calculated annually to be the aggregated minimum hourly rate for a person to be able to fully participate in society. This is the current agreed Tynwald Policy though it is not set in legislation; or
- basing the Minimum Wage on a proportion of median earnings, which is more reflective of actual pay rates in society and helps to reduce relative poverty.

Key Findings

- **Need to balance fair wages with economic impacts:** Economic research and stakeholder feedback emphasised the complexities of balancing the need for fair wages and the potential economic impacts, including inflation, cost of living, and business viability.
- **Support for median earnings based Minimum Wage:** While some support pointed towards the retention of the existing policy of harmonisation, more generally a median earnings-based approach like the one used in the UK was seen as a more measured and predictable solution than the Living Wage calculation.
- **Clear advantages of a median earnings approach:** A move to a median earnings based methodology for the Minimum Wage would adjust more dynamically to economic conditions, helping wages keep pace with the wider economy. The median earnings approach also aligns to international standards of low pay, including the OECD, EU, and UK.
- **Limitations of a living wage approach:** While the Living Wage was commended for aiming to support a basic standard of living, complexities are evident in using the rate as a statutory Minimum Wage and the potential conflict with what businesses are able to afford.
- **Need for clearer scheduled of increments and transparency:** Feedback was consistent in the desire for a regular schedule of updates to the Minimum Wage, with an appetite for a simpler, and more data-led basis of calculation.
- **Support for retention of age bands:** While some stakeholders argued for the addition of more age bands, the general consensus was that a 'youth rate' should be retained as it encouraged youth employment and training.
- **Lack of understanding regarding the Accommodation Offset:** Many employers were unclear about the offset and the complexities of its administration and implementation.
- **Need to review the role of the Minimum Wage Committee:** The shift towards a different methodology raises questions about the role of the Minimum Wage Committee and the need to review its statutory function.
- **Limited feedback on other rates:** Issues such as exemptions and alternative rates received limited focus and feedback, suggesting they are less urgent than the primary concerns related to the Minimum Wage methodology.
- **Need for review and impact assessment:** The changes to policies in other jurisdictions, as well as the feedback from stakeholders, indicates a need to regularly review the Minimum Wage policy and methodology to ensure it remains aligned with current economic conditions and the Island's broader policies.

Recommendations

Based on the key findings outlined above, the recommendations have been grouped into three key areas:

- Methodology of the Minimum Wage and its link with the Living Wage
- Process of setting the Minimum Wage
- Alternative rates, exemptions, and evaluation

Methodology of the Minimum Wage and its link with the Living Wage	
Recommendation One	That the process for determining proposals in respect of the Minimum Wage be set as a percentage of Isle of Man Median Earnings.
Recommendation Two	That the percentage calculation be set at 66% of Median Earnings for April 2026 implementation, delivering a Minimum Wage rate directly tied to a commonly recognised Living Wage benchmark.
Processes of the Minimum Wage	
Recommendation Three	That the Minimum Wage rate is sent to Tynwald for approval in October each year, with an implementation date of the following April. Flexibility to amend this schedule will be retained in legislation.
Recommendation Four	That the Isle of Man retains two distinct age bands, the single hourly rate using the methodology above, and the youth rate which should maintain a differential in 'absolute' terms of £2.70 less an hour than the single hourly rate.
Recommendation Five	That the Accommodation Offset remain unchanged for April 2026, with a further review into its uptake, efficacy and impact undertaken.
Recommendation Six	That the Department for Enterprise prepare legislation to include recommended changes to Minimum Wage legislation. Including the role and function of the Minimum Wage Committee.
Alternative rates, exemptions, and evaluation	
Recommendation Seven	That no additional rates or exemptions are to be brought forward at this time.
Recommendation Eight	That a review into the impact of the implementation of this policy be conducted.

Conclusion

There is no clear-cut approach to determining proposals for the Minimum Wage, or its link to the Living Wage. The research and stakeholder engagement carried out for the creation of this report has emphasised the polarising and conflicting opinions and concerns that are argued across this topic. It is acknowledged that there is the potential for bias in the views

received through stakeholder engagement on this topic, given the ability for employers, or representative groups, to put forward views in a collective or similar manner, versus the ability of individuals to do the same. Attempts have been made to mitigate this risk to some degree through direct engagement with lower paid workers and whilst the numbers remain relatively low, a far greater pool of workers has been reached than would be the case for the usual calls for evidence issued by the Minimum Wage Committee.

The recommendations provided aim to strike a careful balance between honouring commitments to see fair wages and improving the standards of living, with the economic realities of the Island's businesses at this point in time.

Through taking a steer from neighbouring jurisdictions and the extensive research carried out into various methods and levels, the ultimate policy direction will help retain the Island's competitiveness as both a place for businesses and workers. It is clear from the research that other jurisdictions more commonly use median earning based calculations for their policy development for both national minimum wage rates and the measurement of relative poverty.

Throughout the review there were clear themes that emerged, together with the identification of other areas will need further consideration. The predictability and communication around increments, the awareness of various bands and offsets, and the transparency of the methodology itself were all key areas to be addressed. The work does not end here, with a recommendation of review into the implementation of this policy and the need for ongoing assessment in this important and evolving area of economic and social policy.

Section One – Background

The review will look at the current process for determining proposals in respect of the Minimum Wage, considering the statutory requirements prescribed in the Minimum Wage Act, the policy position of alignment with the Living Wage as well as providing clear options for the next steps.

Isle of Man Minimum Wage

The Minimum Wage is the statutory minimum hourly wage that must be paid to workers in the Isle of Man. The legal Minimum Wage is designed to prevent exploitation but does not necessarily provide for a worker's basic living needs.

As of 2025 there are two bands for the Minimum Wage covering workers over compulsory school age (but under 18) and workers aged 18 and over. Previous iterations of the minimum wage have had a range of age bands and separate 'Development Worker' categories.

The Minimum Wage was enshrined in Law with the commencement of the Minimum Wage Act 2001 (The Act)¹. The Act enables the Department for Enterprise (DfE) and the Treasury, acting jointly, to specify in regulations a minimum hourly rate that must be paid to workers. The Act also enables DfE to specify in regulations different rates for different categories of workers, within certain bounds. Before making Regulations to specify the minimum hourly rate, DfE and the Treasury must consult with, and consider any recommendations made by, the Minimum Wage Committee (MWC), an independent body representing the views of both workers and employers and established by the 2001 Act.

At the Second Reading of the Bill in Tynwald in January 2001, the Hon Mr Shimmin MHK said "The Minimum Wage Bill provides the vehicle by which this principle can be put into effect, thus providing a safety net for those who have in the past suffered from unacceptably low levels of remuneration"²

The Island's first rate of Minimum Wage in 2001 was set at £4.10 for most workers. Since this date, the rate of Minimum Wage has almost trebled to £12.25 in April 2025.

The Concept of a Living Wage

A Living Wage is generally defined as the minimum income necessary for an individual or family to achieve a basic standard of living, which includes not only essential needs like food, housing, and utilities but also the ability to participate in social, economic, and cultural activities. It is designed to ensure that people are not living in poverty, even if they are working full-time.³ However, the published rate is an aggregate based on different household types. For instance, a household of two adults with no children would need considerably less per hour to be able to afford to participate in society than a single parent

¹ https://www.legislation.gov.im/cms/images/LEGISLATION/PRINCIPAL/2001/2001-0025/2001-0025_3.pdf

² <https://www.tynwald.org.im/spfile?file=/business/hansard/20002020/HK-20010130-v0118.pdf#search=%22%22minimum+Wage%22%22> (p39)

³ <https://www.gov.im/about-the-government/departments/cabinet-office/statistics-isle-of-man/isle-of-man-living-wage/>

with three children. Therefore, the stated 'Living Wage' may not be able to support some, whilst others could live comfortably on a rate below the current Living Wage rate.

While the Minimum Wage is the legally mandated lowest pay rate an employer can offer workers, a Living Wage has typically been a voluntary rate designed to guide employers who may wish to ensure that workers earn enough to meet their essential needs and maintain a decent standard of living.

The Isle of Man Living Wage was borne out of a Tynwald motion in 2017⁴ around Government bringing forward proposals for a voluntary 'Living Wage' and has been produced since then.

The report and the calculation of the Living Wage was undertaken in 2017 as a result of:

1. A commitment as part of the Programme for Government (GD2017/0002) to 'Investigate the option to introduce a Living Wage'; and
2. An approved motion by Mr Hooper MHK at the January 2017 sitting of Tynwald, 'That Tynwald is of the opinion that the Isle of Man should establish a living wage and the Cabinet Office should report to Tynwald by October 2017 with proposals to introduce a voluntary living wage'.

The introduction of the Isle of Man Living Wage in October 2017 provided, for the first time, an estimation of "the minimum required to allow people the basic opportunities and choices necessary for them to participate in society", as per the definition above. Since this time, the rate of Minimum Wage has been below that of the rate of living wage on the Island.

The distinction between Minimum and Living Wages is not always clear: as described above a Minimum Wage is the statutory minimum set by Government, whereas a Living Wage is an estimation of "the minimum required to allow people the basic opportunities and choices necessary for them to participate in society".⁵ As a result the Living Wage has many subjective aspects and will usually vary by personal circumstances.

The Living Wage calculation is outside the scope of this review, however it is important to understand the concept, methodology, and policy of harmonisation in order to better discuss the findings of determining proposals in respect of the Minimum Wage.

Policy of Harmonisation

In July 2021, Tynwald approved the recommendation of the Select Committee on Poverty that "the Minimum Wage should transition to the Living Wage within five years"⁶ - in other words by July 2026. This transition is tied to the Living Wage rate generated by Statistics Isle of Man.

This was brought forward in the January 2022 version of Our Island Plan, which set out a commitment for a transition from a minimum wage to a living wage by the earlier date of April 2025.

To achieve this, in January 2025, the Department for Enterprise and Treasury proposed increases to the Minimum Wage through a two-part increase to align the Island's Minimum

⁴ <https://tyrwald.org.im/spfile?file=/business/hansard/20002020/t171017.pdf>

⁵ <https://tyrwald.org.im/spfile?file=/business/hansard/20002020/t171017.pdf> (5280)

⁶ <https://www.tyrwald.org.im/spfile?file=/business/pp/Reports/2021-PP-0105.pdf>

Wage rate with the published Isle of Man Living Wage rate by October 2025, a six month delay to the commitment set out in the Island Plan. However, following strong feedback from industry and a range of stakeholders, a decision was made to defer commitment for the originally proposed second increase to £13.05 in October 2025 and instead prioritise a review into the methodology of agreeing proposals in respect of the Minimum Wage and its link with the Living Wage, with the aim to report on findings to Tynwald in July 2025.

Economic History of Minimum Wages

A fundamental aspect of the modern economic system is the provision of labour in exchange for remuneration. Individual workers undertake economic activity (generally for an employer) and are paid a wage in return. In a completely market-led model, the amount of wage would be a function of the supply of labour, (demand for work), the demand for labour (supply of jobs), the economic potential of businesses, and so on.

Intuitively, if there is a greater demand for workers, workers have more bargaining power and wages will rise. Likewise, if there are a large number of workers available (high unemployment), workers lose bargaining power and wages will fall. Underlying economic conditions and technological changes affect both the demand and supply of labour, as well as the shape of the demand and supply curves. The above is an over-simplification of the labour market, as workers are not homogeneous and interchangeable, and neither is the demand for labour.

There are numerous distortions in the labour market which prevent a completely rational negotiation of wages between businesses and workers. Such a market would require homogenous supply and demand, and no barriers to workers changing jobs in order to achieve the best possible wages and ensure competition between employers. Many workers face (sometimes considerable) barriers and costs to changing jobs, as well as other barriers such as incomplete information on the labour market, which allows businesses to set wages at below what would be the market indicated level.

The problem of businesses being able to exploit these barriers in paying lower wages is most starkly illustrated in the case of "sweatshops" where workers are exploited in the name of increased profits for their employer. Concerns about exploitation – and the potential that the burden of supporting these employees will fall on the welfare system – has led successive Governments around the world to introduce legislation specifying a legal minimum that employees can be paid.

Introducing a floor to the price of labour would theoretically be expected to limit the demand for labour, preventing the market from effectively clearing and therefore generating unemployment (as more workers are willing to work for the minimum wage than businesses are willing to pay). In practice, significant unemployment effects have not been observed from minimum wage policies, and this will be explored in more detail below.

The Economic Impacts of Minimum Wages

Economic Literature

Studies of the impact of Minimum Wages on the wider economy are by necessity large-scale macroeconomic studies that look for changes in response to changes in minimum wage. The United States is typically a useful basis for studies due to differences in minimum wages between States. In general, the weight of evidence in the economic literature suggests that

there are limited employment effects from small to moderate increases to Minimum Wages. This finding was generally found to hold where minimum wages were up to about 60% of median wages.⁷ Beyond this level, the evidence is less clear, though this would appear to be due to the limited case studies of minimum wages rising above this level, rather than necessarily implying a cliff-edge where impacts are suddenly felt.

Isle of Man Impacts

A previous 2023 report by the Isle of Man Treasury concluded that there was no strong historical precedent that harmonising the Minimum Wage with the Living Wage level would lead to significant negative outcomes, although the precise impacts were unknown, especially around business failures (Isle of Man Treasury, 2023).

A subsequent report prepared by economic consultants, Pragmatix Advisory, for the Minimum Wage Committee was more critical of the policy to harmonise Minimum and Living Wages in 2025, highlighting potential detriment for businesses in 'high risk' sectors (childcare, adult social care, hospitality, etc) (Pragmatix Advisory, 2024)⁸. As with the Treasury report however, clear evidence to support the findings was limited. The Pragmatix report did provide estimates of the sensitivity of Government income and consumer spending power to changes in minimum wage rates, however was not able to quantify the impacts on businesses. Both reports indicated that in order to accurately assess the impact of minimum wage rates in a small jurisdiction like the Isle of Man would require extensive and likely onerous business surveys and research.

Concerns from the Isle of Man's business community regarding the increase in the minimum wage include potential negative economic impacts. Key concerns are:

1. **Employment:** Higher minimum wages may lead to job losses, especially in lower-paid roles, as businesses find these positions unaffordable, potentially increasing jobseekers and welfare dependence.
2. **Business Viability:** The cost of raising the minimum wage could lead to business failures, especially in sectors with already thin margins.
3. **Wage-Price Spiral:** Increased wages could lead to higher prices for goods and services, contributing to inflation.
4. **Mismatch with Other Price Measures:** Increases based on the Living Wage may outpace other price indices like median earnings and the Consumer Price Index (CPI), causing a disconnect with broader economic trends.

The **employment impact** of minimum wage increases appears minimal based on available evidence, with **moderate** increases not leading to significant job loss. This sentiment was echoed by the Manx Industrial Relations Service (MIRS) in relation to redundancies.

On **inflation**, higher wages are essential to protect low-paid workers from real-term wage declines due to inflation, particularly in sectors like food and energy. However, businesses may raise prices to offset wage hikes, potentially contributing to inflation or wage-price

⁷https://assets.publishing.service.gov.uk/media/5dc0312940f0b637a03ffa96/impacts_of_minimum_wages_review_of_the_international_evidence_Arindrajit_Dube_web.pdf

⁸ https://www.gov.im/media/1385882/2024-06-05-harmonization-of-wage-rates-business-harm-versus-households-_compressed.pdf

spirals. Over time, cost impacts would likely lessen if Living Wage growth moderates. The relationship between the Living Wage and other price measures is difficult to assess due to limited Isle of Man data and the complexity of current inflationary pressures.

Minimum Wages in the UK and Channel Islands

The United Kingdom

The United Kingdom introduced a statutory Minimum Wage in 1999 to ensure that workers receive a baseline level of pay. However, since 2016, this statutory minimum wage has been referred to instead as the 'National Living Wage' for workers aged 21 and over (this age band has changed over recent years), whilst separate rates remain for those aged 18-20 (£10 p/h), and 16-17 year olds and apprentices (£7.55). This change was implemented to better reflect the government's aim of providing a wage that supports a basic standard of living for adult workers.

Unlike minimum income standards, which are typically based on the cost of living and the needs of workers to maintain a decent quality of life, the 'National Living Wage' is calculated based on a target proportion of **median earnings**. Specifically, the government set goals to reach 60% of median earnings by 2020⁹ and 66% by 2024¹⁰. **This approach ties the UK's legal minimum wage to the overall economic performance and median income levels within the country, rather than directly to the cost of living.**

For workers under the age of 21, the term 'Minimum Wage' is still used to refer to the statutory minimum pay. This distinction acknowledges that younger workers may have different financial needs and circumstances compared to older workers.

Channel Islands

Jersey, like the Isle of Man, has a policy commitment to align their Minimum Wage rate with their Living Wage, which will be introduced in April 2026. Unlike the Isle of Man, Jersey's alignment with the Living Wage is calculated as two-thirds of the 2024 median wage.¹¹

To assist employers through this transition, the Government of Jersey has announced a £4.3m package of matched funding grants and supports to boost productivity and encourage higher demand, believing that "productivity improvements – more output per worker – will help employers afford the transition towards a living wage."¹²

Most of the funding grants and support broadly align with the Isle of Man's existing financial support packages, in that they aim to support productivity improvements, the adoption of technology and to drive consumer demand through increasing footfall, visitors and other economic activity.

In Jersey all those who have reached the statutory school leaving age (typically 16 year olds, but some aged 15) must be paid the Minimum Wage rate. Therefore, Jersey does not feature age bands in their Minimum Wage requirements. As part of the package mentioned

⁹ <https://www.gov.uk/government/news/national-living-wage-to-hit-60-per-cent-target-in-april>

¹⁰ <https://www.gov.uk/government/publications/national-minimum-wage-and-national-living-wage-updated-low-pay-commission-remit-2024/national-minimum-wage-and-national-living-wage-low-pay-commission-remit-july-2024-hmtl-version>

¹¹ <https://blog.gov.je/2025/02/03/jersey-begins-the-transition-towards-a-living-wage/>

¹² Ibid.

above, the Government of Jersey will provide a grant of £2,000 per year per apprentice to eligible employers, rather than implementing a separate wage for those on apprenticeship schemes.¹³

In 2018, the States of Guernsey approved a plan to gradually align their Minimum Wage with 60% of the Island's median earnings for a standard 40-hour work week¹⁴, which was achieved in 2024. It should also be noted that, in Guernsey, "the minimum wage rates are not intended to reflect a 'living wage', particularly as different households with different family compositions have different financial needs."¹⁵

Guernsey provides for a separate rate for 16 and 17 year olds, whilst any worker over the age of 18 must be paid the 'Adult' Minimum Wage. However, apprentices are not covered by the 'Young Persons' Minimum Wage, but once the apprentice turns 18 they must then be paid the 'Adult' Minimum Wage rate. The 'Young Persons' rate is calculated as being 90% of the adult rate.¹⁶

Minimum Wages in the Isle of Man

Minimum Wages in the Isle of Man are set politically, following statutory consultation with the Minimum Wage Committee (MWC). Further detail on the way in which the Minimum Wage is set, as well as the relationship with the Isle of Man Living Wage, is provided later in this report.

At time of writing, published figures are as follows:

- Median Earnings: 2024 calendar year (from June 2024)¹⁷
- Minimum Wage: 2025 (from April 2025)¹⁸
- Living Wage: 2024/25 financial year¹⁹

Median Earnings in 2024 were £20.39 per hr for full time employees. The 18+ Minimum Wage and Living Wage were £11.45 and £13.05 respectively. This put the Living Wage at just under 66% Median Earnings, while the Minimum Wage was 56% Median Earnings.

¹³ <https://www.jerseybusiness.je/media/tzteeupb/apprenticeship-grants-better-business-grant-v1.pdf>

¹⁴ <https://www.gov.gg/CHttpHandler.ashx?id=115779&p=0>

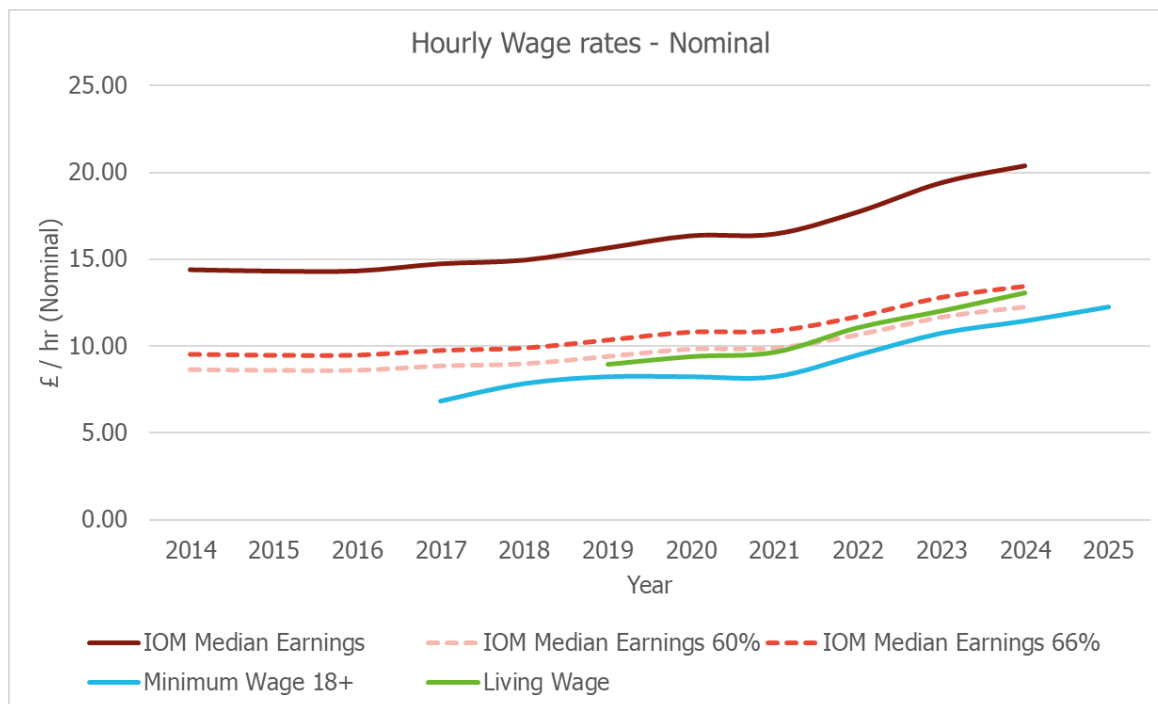
¹⁵ www.gov.gg/CHttpHandler.ashx?id=187793&p=0

¹⁶ <https://gov.gg/CHttpHandler.ashx?id=154512&p=0>

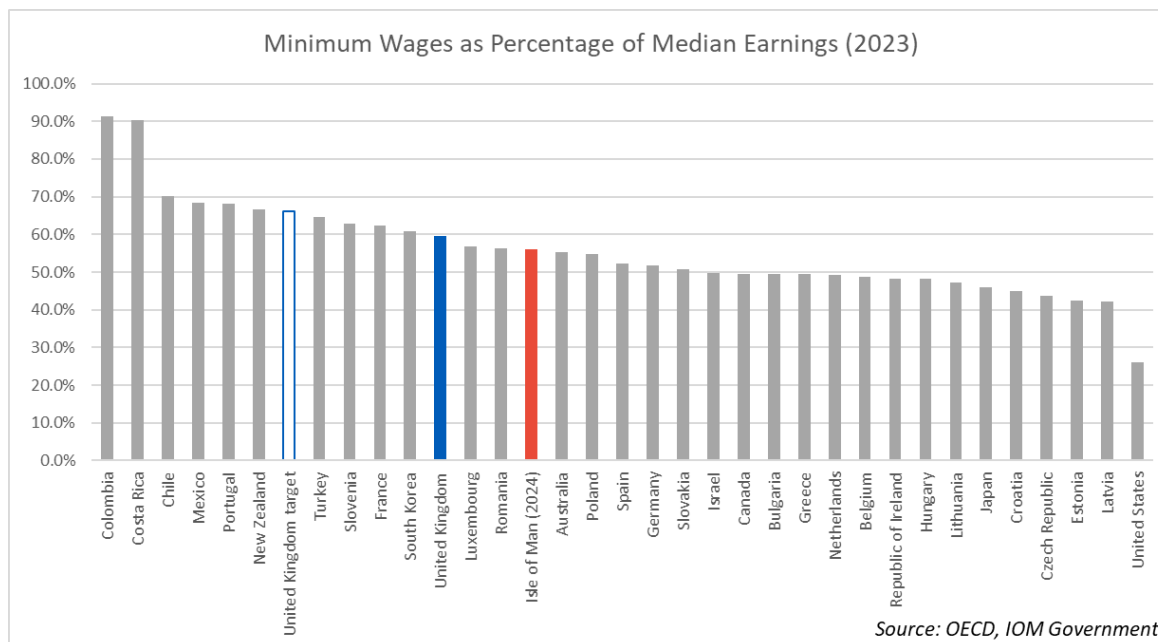
¹⁷ www.gov.im/about-the-government/departments/cabinet-office/statistics-isle-of-man/earnings-survey/

¹⁸ www.gov.im/categories/working-in-the-isle-of-man/employment-rights/minimum-wage/

¹⁹ www.gov.im/about-the-government/departments/cabinet-office/statistics-isle-of-man/isle-of-man-living-wage/



This level of Minimum Wage puts the Isle of Man in roughly the middle of jurisdictions for which data is published by the OECD20. The United Kingdom's rate of 59.6% for 2023 was somewhat below the Government-set target of 66% (a rate of 65% was achieved in 2024).



²⁰ <https://www.oecd.org/en/topics/sub-issues/employment-protection-and-minimum-wages.html>

Section Two: Minimum Wage Methodology

Current Isle of Man Methodology

The Minimum Wage Act 2001²¹ came into force on 1 January 2002. (It should be read in conjunction with the Minimum Wage Regulations 2001; the Minimum Wage Committee Regulations 2002²² the annual minimum wage regulations which set minimum wage rates; see also Employment Act 2006 section 121).

In broad terms, any worker who has ceased to be of compulsory school age (currently 16) and who ordinarily works in the Island must be paid a statutory minimum hourly rate.

There are currently two bands with a lower rate for those over 16 but under 18.

Description of worker	Rate from 1 July 2024	Rate from 1 April 2025
Over compulsory school age but under 18	£8.75	£9.55
Aged 18 or over	£11.45	£12.25

The rate is set out in regulations made by the Department for Enterprise and the Treasury acting jointly after consultation with the Minimum Wage Committee.

Minimum Wage Committee

The Minimum Wage Committee (the "Committee") consists of an independent Chair, two members representing employers and two members representing workers. Appointments to the Committee are made by the Department for Enterprise, and from time to time, the Committee is requested to make recommendations as to the rate of the Minimum Wage. (The Low Pay Commission fulfils a similar function in the UK legislation).

The Minimum Wage Committee's approach to setting minimum wage rates involves a detailed analysis of multiple factors, with a view to ensuring that the minimum wage policies are not only fair to workers but also sustainable for businesses and the economy.

The Committee is required by virtue of Regulation 6 of the Minimum Wage Committee Regulations 2002 to have regards in particular to:

- a. The wider social and economic implications of any Minimum Wage to be prescribed under Section 1 (3) of the Act:
- b. It's likely effect on –
 - (i) Employment, especially amongst disadvantaged groups;
 - (ii) Inflation;
 - (iii) Its impact on the costs and competitiveness of business;
 - (iv) The costs of industry and public authorities in the Island;

²¹ https://legislation.gov.im/cms/images/LEGISLATION/PRINCIPAL/2001/2001-0025/2001-0025_7.pdf

²² <https://www.tynwald.org.im/spfile?file=/links/tls/SD/2002/2002-SD-0620.PDF#search=%22minimum+wage+committee+regulations%22>

- c. Its impact on pay, employment and competitiveness in low paying sectors and small businesses;
- d. Its effect on different groups of workers;
- e. The effect on pay structures;
- f. The interaction between Minimum Wage rates and the tax and benefit systems.

This outlines the key role of balancing the needs of workers, businesses, and the broader economy when recommending minimum wage rates.

The potential impact of minimum wage changes on employment levels is particularly important for vulnerable groups, such as young workers or those with fewer skills. The Committee must consider whether wage increases could lead to job losses or reduce opportunities for these groups, while also recognising that higher wages can have positive effects, such as increased consumer spending and better worker retention. In reviewing this, the Committee must aim to create an environment that supports both job creation and fair wages.

Following consideration of the above, including gathering evidence from employees and workers, the MWC will make its official recommendation to the Department for Enterprise and Treasury.

Minimum Wage Recommendation

The Department for Enterprise and the Treasury are obliged to consider any recommendation made by the MWC, but is not legally required to accept the recommendation put forward.

In their latest recommendation²³, the MWC reviewed the evidence which was submitted to them, and as the written and verbal submissions *"generally pointed to a weakness in the local economy, especially in the low paying sectors, the Committee felt unable to balance the legal considerations with the Tynwald Policy (brought forward in "Our Island Plan"), and believed that if effect was to be given to the aspiration to harmonise the Minimum and Living Wages by April 2025, insufficient evidence was available to facilitate such a recommendation in line with the Committee's legal considerations.*

The MWC therefore resolved to ask the Enterprise and Treasury Ministers for permission and a budget to engage a professional consultant to independently assess the impacts upon low paying sectors of increases in the Minimum Wage, to catch up with the Living Wage. This was approved and Pragmatix Advisory was appointed to provide further analysis²⁴.

Over the last few years the rates proposed to Tynwald have often deviated from the MWC's recommendation.

Age Bands

Under the **Minimum Wage Act 2001**, the Department for Enterprise have the ability to set different rates for different age groups. This includes setting lower rates for younger workers, who can be perceived as having less experience or fewer skills than older workers.

²³ https://www.gov.im/media/1385884/minimum-wage-recommendation-2024-final-redacted-signed_compressed.pdf

²⁴ <https://www.gov.im/categories/working-in-the-isle-of-man/employment-rights/minimum-wage/>

There are carve outs in the Island's Equality Act 2017 from the age discrimination legislation for young workers and apprentices respectively, enabling the ability to set a range of youth rates.

Currently the Isle of Man has two age bands – a Single Hourly Rate for those aged 18 and over, and a 'youth rate' for those who are over compulsory school age but under 18. The youth rate is set at an 'absolute' differential of £2.70 less than the set Single Hourly Rate.

There are no statutory wage rates for workers under compulsory school age.

The Island previously had a 'development worker' rate which was abolished in April 2023.

Until 1 April 2023, a 'development worker' was a worker who:

- Is 18 or over
- Is within the first 6 months after the commencement of his or her employment with the employer
- Has not previously been employed by that employer or an associated employer
- Has entered into an agreement with the employer requiring the worker to take part in accredited training on at least 26 days. (Accredited training means training to a recognised industry standard which is approved by the Department of Education, Sport, and Culture).

Apprentices and the Minimum Wage

The minimum wage does not need to be paid to apprentices (i.e. only those trainees under formal training agreement with their employer and the Department of Education, Sport and Culture) who:

- Have not attained the age of 19
- Have attained the age of 19 but are within the first 12 months of their apprenticeship

However, an apprentice who has attained the age of 25 is entitled to receive the minimum wage.

Accommodation Offset

Minimum Wage legislation also prescribes the maximum amount that an employer can deduct from the baseline of the minimum wage for the provision of accommodation as part of an overall remuneration / employment package.

Provision of accommodation for a worker by an employer is the only benefit in kind that can count towards minimum wage pay. There are special rules for calculating how much can be counted towards minimum wage pay for the accommodation that is provided and there is a limit on the amount (an employer may charge or deduct more than the maximum permitted accommodation offset from a worker's pay but the excess amount will not count towards minimum wage pay).

The value of the "accommodation offset" cannot exceed £1.05 an hour, £6.00 a day (whichever of the daily rate or the number of hours worked by the hourly rate is the lesser amount) or £42 a week.

The Minimum Wage Committee in their latest recommendation, as they have done for many years, recommended no change to the maximum rates permissible.

Schedule of Increments

The statutory role of the Minimum Wage Committee outlines that “from time to time”, the Committee is requested to make recommendations as to the rate of the Minimum Wage. This flexibility has been useful at times of economic pressure to propose additional increases to the Minimum Wage rate. However, ultimately it results in a moveable schedule of increments which is dependent on the process and resource availability of the Committee.

Over the last decade, Minimum Wage rates have been implemented on the following months:

Date Approved	Month of Increase	Approval to Increase (months)	Time since last change (months)	Adult Rate	Youth Rate
February 2025	1 April 2025	2	9	£12.25	£9.55
May 2024	1 July 2024	2	15	£11.45	£8.75
February 2023	1 April 2023	2	12	£10.75	£8.05
February 2022	1 April 2022	2	30	£9.50	£6.80
2021	No Change	-	-	£8.25	£6.15
2020	No Change	-	-	£8.25	£6.15
June 2019	1 October 2019	4	12	£8.25	£6.15
July 2018	1 October 2018	3	16	£7.85	£5.85
March 2017	1 June 2017	3	17	£7.50	£5.70
November 2015	1 January 2016	2	-	£7	£5.40

As highlighted from the table above – there is a continued inconsistency between the date proposed, approved, and implemented.

The Isle of Man Living Wage and Link to Minimum Wage

In April 2021, Tynwald endorsed a recommendation within the Tynwald Select Committee on Poverty's report titled "Income and Benefits" (2021-PP-0105) to transition the Minimum Wage to the Living Wage within five years. This was further supported by a commitment in the January 2022 Island Plan to achieve parity with the Living Wage by April 2025.

The report emphasises that poverty in the Isle of Man cannot be solely addressed by increasing benefits. Instead, a comprehensive approach involving both higher wages (through the transition to the Living Wage) and a realistic assessment of living costs is necessary to tackle poverty effectively. It argues that the Living Wage represents the true minimum required to live without falling into poverty, whilst the Minimum Wage is an insufficient legal floor that fails to provide for basic needs.

The report uses the threshold of 60% of the median income as an indicator of poverty. Specifically, individuals earning less than 60% of the median weekly wage are considered to be in relative poverty. For example, in 2020, a wage below £9.39 per hour was identified as

being in poverty. It highlights that individuals on minimum wage are already earning below 60% of median income and, therefore, are considered to be in poverty.

Therefore, in line with the policy commitment in the 2022 Island Plan, the Department for Enterprise and Treasury proposed a two-stage increase in the Minimum Wage in 2025. The first increase was planned for April 2025, raising the main rate to £12.25, followed by a second increase to £13.05 in October. The Department for Enterprise and Treasury also proposed a review of the current methodology for setting the Minimum Wage and its connection to the Living Wage.

However, in December 2024, the Minimum Wage Committee strongly advised against the dual increase but supported the review of the methodology. Despite this, the dual increase was approved by Council in January 2025, and the proposed rates were published.

In February 2025, the Council of Ministers decided to defer the second increase to £13.05 and **instead prioritise the review of the current methodology.**

Jurisdictional Comparison of Minimum Wage Methodologies

Since around the mid-nineties, many countries have introduced a statutory minimum wage in an attempt to protect workers from being exploited through very low wages and encourage those out of work to rejoin the labour market rather than rely on welfare payments. In 2022 the EU introduced Directive 2022/2041 to help assess the adequacy of statutory minimum wages across member states, including the need to designate a consultative body to provide advice.²⁵ In the UK, this is the Low Pay Commission, and the Isle of Man has its own equivalent in the Minimum Wage Committee.

However, the methodology for calculating the statutory minimum wage differs through many jurisdictions, and it has been noted that the rate has struggled to keep pace with inflation in recent years which has resulted in decreased living standards and households struggling to survive.²⁶

As has been highlighted already in this report, the UK bases their statutory minimum wage – the 'National Living Wage', on a recommendation made to them by the Low Pay Commission, a statutory non-governmental body which considers evidence (including labour market and economic data) and commissions external research to provide a recommendation to the UK Government on the hourly National Living Wage, and various age bands below this.

Whilst the UK have aimed for 66% of median earnings, rising from the 60% target in 2020, this figure can vary across countries. For instance, in Colombia the statutory minimum wage is 90% of the median wage, which is likely an indication of a large number of low-wage jobs being prevalent in that country.

The median wage methodology is grounded in international literature, with the OECD defining low pay as earnings of less than 66% of median earnings²⁷. Separately, the EU defines the at-risk-of-poverty rate as earnings of less than 60% of median income²⁸.

²⁵ <https://eur-lex.europa.eu/eli/dir/2022/2041/oj/eng>

²⁶ https://www.ilo.org/sites/default/files/2024-11/GWR-2024_Layout_E_RGB_Web.pdf

²⁷ <https://www.oecd.org/en/data/indicators/incidence-of-low-and-high-pay.html>

²⁸ [https://www.europarl.europa.eu/RegData/etudes/IDAN/2016/579099/EPRS_IDA\(2016\)579099_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/IDAN/2016/579099/EPRS_IDA(2016)579099_EN.pdf)

There have, however, been challenges to this methodology, with opponents arguing that this calculation is too slow to react to periods of high inflation meaning low-paid workers are not protected from relative poverty, and are reliant on higher-paid workers receiving increased salaries in the first instance, which then trickles down due to increased median earnings.

Other countries, such as Poland, Belgium, and Luxembourg, align their statutory minimum wage to the Consumer Prices Index (CPI):

<i>Indexation mechanism including prices</i>	
Belgium	All wages are indexed to past CPI excluding alcohol and tobacco and petrol but including heating fuel, gas and electricity (every time CPI increases by 2% or more since last increase)
France	The minimum wage only is indexed to past CPI for the bottom quintile (every time CPI increases by 2% or more since last increase) + half real salary increase of blue collar workers (annually and only if positive).
Luxembourg	All wages are indexed to past CPI (every time CPI increases by 2.5% or more since the last semester)
Poland	The minimum wage is indexed to future inflation + 2/3 of future GDP growth if, in the first quarter of the year, the amount of the minimum wage is lower than half of the average wage. If the inflation forecasts differ from the real price index, a correction takes place in the following year.
<i>Other forms of indexation</i>	
Netherlands	The minimum wage is indexed to the predicted wage developments for the next six months using a basket of collectively agreed wages.

Note: In Belgium, wage increases are capped by a "wage norm" (a ceiling based on which takes into account weighted wage developments in France, Germany and the Netherlands).

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This method, also known as wage indexation, provides a more responsive system to times of high inflation with the OECD noting that in Belgium, one of the countries which uses CPI as an indexing mechanism for setting a minimum wage, real wages returned to pre-pandemic levels a full year before the majority of other OECD countries.³⁰

However, there is concern that linking directly with inflation could cause a feedback effect if higher wage costs are passed on to consumers in the form of higher prices.

²⁹ https://www.oecd.org/content/dam/oecd/en/publications/reports/2025/03/real-wages-continue-to-recover_3a8a464b/8f8ec0e4-en.pdf

³⁰ Ibid.

Section Three: Alternative Methodologies

As detailed above, the Isle of Man's Minimum Wage is currently reached through a recommendation from the Minimum Wage Committee based on consideration of a statutory variety of factors, political priorities, and ultimately approval by Tynwald.

There are several other potential bases for calculating the minimum wage outside of the current methodology, these being the Living Wage, the median hourly wage, and inflation (or some combination of all three). Given the relative scarcity of data available to small jurisdictions such as the Isle of Man, these are in all likelihood the only available data sources that are in any way suitable for the task.

Inflation

Of the three metrics to which the Minimum Wage could be fixed, inflation is decidedly the less effective choice:

- Inflation fails to take into account both the level of spending that the economy can notionally bear, and the material needs of people and households.
- Inflation can only be used to determine how the Minimum Wage changes year-on-year and requires a base value upon which to act. The only practical options for this are the current Minimum Wage, the Living Wage, or some percentage of the median hourly wage. But choosing one of these means again deciding which is the best as a base for the Minimum Wage.

Therefore, through disregarding inflation, the remaining options of setting the minimum wage are to continue with current Minimum Wage Committee/Department proposals, equal the Living Wage (as directed in current Tynwald Policy), or as a percentage of the Median Full-time Earnings. All of the choices have advantages and disadvantages, but this is likely to be true of any metric used in this fashion.

Current Methodology – Minimum Wage Committee and Department Proposals

As outlined in some detail above, the current methodology requires the Minimum Wage Committee (MWC) to provide a recommendation to the Department for Enterprise and Treasury. This recommendation is then reviewed alongside economic and political considerations before being presented to Tynwald for approval.

Pros and Cons of current Minimum Wage methodology

Pros	Cons
The MWC must consider a wide range of social and economic implications when proposing a rate of the Minimum Wage.	The MWC are a small committee who rely on input and evidence from workers and businesses – this can be difficult to acquire and is subjective by its very nature.

<p>The mechanism of collaboration between the MWC and the Department for Enterprise and Treasury ensures various policies and considerations are factored into the rate process, giving flexibility in the methodology.</p>	<p>The current methodology is subject to a large degree of political influence, with the proposals generated through the Department for Enterprise and Treasury.</p>
	<p>The current methodology is at odds with the Tynwald policy of harmonisation – causing a statutory conflict.</p>
	<p>The current methodology is not grounded in any official data or statistics, relying on a balance of reports and anecdotal evidence.</p>
	<p>The recommendations have rarely been accepted in full in recent years – highlighting a disparity between the MWC's process and the ultimate decision from Tynwald.</p>
	<p>The MWC submit recommendations from 'time to time' leading to an unpredictable schedule of increments.</p>

Living Wage linked Minimum Wage

The Cabinet Office's Statistics Isle of Man function publishes an annual report outlining a Manx Living Wage. The Living Wage is intended to reflect the minimum salary necessary for families to afford the basic opportunities, choices, goods, and services required for them to participate fully in society.

The Isle of Man Living Wage is calculated by Statistics Isle of Man (previously the Economic Affairs Division from 2017 until 2020). This is in contrast to the situation in the UK, where the Living Wage is calculated by an independent think tank (the Resolution Foundation) working in conjunction with the Living Wage Foundation and the Centre for Research in Social Policy at Loughborough University.

The Isle of Man Living Wage is largely calculated in accordance with the methodology followed by the Resolution Foundation in the UK.

Pros and Cons of a Living Wage linked Minimum Wage

Pros	Cons
The Living Wage has an intuitive appeal, being intended as a measure of how much people need to earn in order to maintain a reasonable standard of living.	The Living Wage as currently formulated is in part influenced as much by social expectation as need, which can make it subject to criticism from businesses who perceive meeting those expectations to lie outside of their responsibilities.
The Living wage is founded upon a well-established methodological basis for measuring poverty—namely, the consensus method of identifying need, which has been in use in the United Kingdom since the 1980s, and an adaption of this used by the Rowntree Foundation and Loughborough University in developing the Real Living Wage.	By design, the Living Wage ignores what level of pay can be accommodated by businesses.
	As such, some may raise the criticism that the Living Wage can act contrary to economic needs (depending on what those needs may be).
	The Living Wage leaves very little room for adjustment, if desired or deemed necessary.
	As the result of an annual survey, the Living Wage provides little advance notice of what the figure will be.
	The Living Wage calculation is an aggregate of different household types and situations, therefore the actual amount that an individual / household needs to fully participate in society will differ and may be over or under the published LW amount

Median Earnings linked Minimum Wage

As referenced above, median income is a critical concept in the measurement of relative poverty, especially in organisations like the OECD. It is regularly used as a benchmark to understand the economic status of households or individuals in comparison to the broader population.

Since relative poverty is about social exclusion rather than just a lack of basic resources, the median income calculation helps reflect an individual's relative well-being in comparison to

the wider society. This approach addresses not just whether someone is below a set threshold, but how they compare to others.

Median income adjusts over time as the standard of living and economic conditions in a society evolve.

However, it assumes that income alone determines poverty without considering differences in the cost of living in different locations, and doesn't necessarily account for other dimensions of poverty, such as social isolation, poor housing conditions, or lack of access to essential services. Some may have higher incomes but still experience deprivation in these areas.

It's important to note that the UK uses median earnings to calculate their 'National Living Wage', with the Low Pay Commission defining low income as:

Low income: This refers to people living in households with income below 60% of the median in that year.³¹

The OECD Wage levels are divided by low pay and high pay. The incidence of low pay refers to the share of workers earning less than two-thirds of median earnings.³²

Pros and Cons of a Median Earnings linked Minimum Wage

Pros	Cons
Median earnings encompass most considerations required in determining a minimum wage, inasmuch as it should naturally embody the balance between what the economy can bear and what it needs to pay to attract employees.	The proportion of median earnings selected to act as a threshold is largely arbitrary (albeit well-established across the OECD at around 60%).
Straightforward to implement.	Margins of error may be relatively large relative to the effect that the differences involved are likely to have on individuals and businesses. Tightening this up would require an expansion of the scope of the current Earnings Survey. Consideration should also be given to the relatively small sample size.

³¹ <https://www.gov.uk/government/publications/national-minimum-wage-and-national-living-wage-updated-low-pay-commission-remit-2024/national-minimum-wage-and-national-living-wage-low-pay-commission-remit-july-2024-hmtl-version>

³² <https://www.oecd.org/en/data/indicators/incidence-of-low-and-high-pay.html>

Pros	Cons
Backed by a statistically rigorous survey.	It can be argued that median earnings do not directly take the cost of living into consideration, and hence risks failing to adequately provide for those who are paid it.
Brings the Isle of Man into line with both the United Kingdom and Republic of Ireland (or their aspirations), both of which employ, or intend to employ, a minimum wage that is based on median hourly earnings.	As the result of an annual survey, the Earnings survey provides little advance notice of what the figure will be.
Is closely related to established measures of poverty which use a similar threshold on individual or household earnings (e.g. relative poverty).	In theory, this approach could produce a minimum wage that falls below the needs of individuals in periods of weak labour markets or exceed it in those of strong labour markets. The likelihood of this is however unknown.

Section Four: Stakeholder Engagement

As part of this review, the Department for Enterprise has carried out a number of stakeholder engagement meetings in order to gain further insight into the views of individuals, businesses and representative bodies on not only how the minimum wage is currently determined but also what it might become in the future and how to potentially reach that point.

The Department formally engaged with the following using various methods including surveys, focus groups, briefings and meetings:

- The Isle of Man Chamber of Commerce
- The Minimum Wage Committee
- Minimum Wage Workers
- Department for Enterprise Executive Board Members (Visit, Business & Hospitality)
- Trade Unions
- Isle of Man Government Office of Human Resources
- Tynwald Members

In addition to this engagement, the Department formally consulted on some aspects of the Minimum Wage Act 2001 as part of wider reviews of employment legislation on the Island in the summer of 2024. The consultation focused on the Minimum Wage Committee and how the rate of the Minimum Wage should be calculated once parity with the Living Wage is reached.

Many of the comments made during the public consultation have also been echoed by those who the Department for Enterprise engaged with during this review. This included balancing the needs of workers and employers and the need to have a method of calculation that took into consideration the unique experiences of living on the Isle of Man.

A summary of each of the stakeholder engagement sessions as part of this review has been included below. In each session the following core questions were asked:

- Is the current Tynwald Policy of alignment with the calculated Living Wage the right direction?
- Should an alternative methodology be considered, such as link to Median earnings, or inflation?
- Should the current Age Bands be reviewed?
- Should there be a fixed, annual schedule for determining Minimum Wage proposals?
- Is there a need to continue with a Minimum Wage Committee if there is an agreed methodology?
- Should there continue to be an Accommodation Offset?
- Should there be any further rates and/or permissible deductions?
- If no alternate rates – should there be exemptions from the Minimum Wage?

The focus of each session varied with different stakeholders focusing on different aspects of the review.

Briefing with Tynwald Members

The Department, assisted by colleagues in the Treasury offered a session with Tynwald Members to discuss their thoughts on the review and the direction for the future. As the issue has been discussed in the Tynwald branches in recent years, the Department has also taken into consideration previous comments made by Tynwald Members.

In the session, Members were offered the questions above. The majority of comments were later echoed in other engagement sessions by workers and employers.

A key point of discussion was defining what constitutes a "living wage" and how it relates to the Minimum Wage. Concerns were raised about how Living Wage calculations are impacted by inflation and external factors, and whether wages can keep pace with the rising cost of living.

There was shared concern regarding the schedule of increments and the need for a clearer, consistent system for implementing changes to the Minimum Wage rate.

The treatment of younger workers and apprentices was a key topic. It was acknowledged that offering lower rates for younger workers could support their entry into the job market and provide training opportunities, but this raised questions of fairness and the balance required between skills and remuneration.

There were some references to the benefits system and how this interlinks with the rate of the Minimum Wage. While this sits outside the scope of the review, it was acknowledged that it is an important factor in helping people attain a 'living wage'.

Finally, the role of the Minimum Wage Committee was called into question with a view that there needed to be more transparency in the process and clarity in how poverty metrics and household income was used as part of the considerations. Questions were also raised over the need for a Minimum Wage Committee should the policy of harmonisation be implemented.

Overall, the feedback stressed the importance of ensuring fairness in the process of determining the Minimum Wage, providing support for businesses and workers, and addressing the complexities of youth employment. There was continued support for moving toward a living wage but with careful planning to avoid unintended consequences and ensure long-term sustainability.

The Isle of Man Chamber of Commerce

In collaboration with the Chamber of Commerce, the Department for Enterprise facilitated a session for Chamber Members, providing an opportunity to contribute to the ongoing review. The Department was able to obtain valuable insights from employers, including the importance of adequate notice regarding increases to the Minimum Wage to allow for effective budget planning.

Attendees expressed a preference for retaining age bands, with some suggesting the reintroduction of additional age categories to encourage the employment of younger workers.

A key concern raised during both this session and other engagement activities was the broader financial impact of minimum wage increases on employers. Many noted that wage

adjustments tend to extend beyond those earning at or near the minimum rate, resulting in increased costs across all levels of employment. While certain industries do not have a high proportion of minimum wage workers, it was observed that rate increases are also affecting sectors with traditionally higher earnings. A potential alternative approach suggested was for the Treasury to review tax thresholds for lower earners, which could provide targeted support without placing additional financial strain on businesses.

There was also strong support for commissioning external consultants to conduct a comprehensive review of the minimum wage and its effects on the Island's economy. Attendees highlighted limitations in the current dataset, including the absence of precise figures on the number of individuals earning the minimum wage, and recommended the establishment of mechanisms to enhance data collection and analysis.

The Department has also taken into account the formal representation made by the Chamber of Commerce in January 2025 in opposition to the proposed increases to the rate of minimum wage at that time³³.

Trade Unions

Despite multiple attempts at engagement the Department was unable to gather views of Trade Union representatives. It should, however, be noted that the Minimum Wage Committee employee members are both Trade Union representatives so their feedback was acknowledged in that forum.

Survey of low paid/minimum wage workers

A survey was undertaken for those earning at or close to the current Minimum Wage, to obtain more information on the demographics of lower earners and their thoughts on the current methods of determining the Minimum Wage.

There were 59 respondents to the survey, representing a wide variety of age groups, from 16-18 up to 55-64 working in a wide variety of sectors, the most common of which were childcare (41%), hospitality (25%) and construction (15%). The vast majority of employees (90%) would be considered to be full-time, working for over 30 hours per week whilst 51% worked for over 40 hours per week and this is reflected in the feedback that 90% considered this role to be their primary source of income.

There was a strong consensus amongst respondents that the calculation of the Minimum Wage should be predictable and transparent, and that the Minimum Wage rate should rise at the same time each year. Additionally, 74% felt that they had good job security in their current role, and only 13% felt that a rise of £1+ in the Minimum Wage would put their job at risk, thereby indicating that concerns over job cuts in the event of a rise in the Minimum Wage is not reflected amongst employees.

There was more disparity, however, in sentiments regarding the level of pay, with 45% believing that they are paid fairly for the work that they do and 36% disagreeing with that statement, and 39% believing that the amount that they earn matches their experience level and the same proportion disagreeing with that statement.

³³ <https://www.iomchamber.org.im/media/mdgioy4p/chamber-min-wage-white-paper-final-5th-february-2025.pdf>

48% of respondents did not think that there should be any exceptions to a requirement for the employer to pay the Minimum Wage rate, whilst 39% believed that this could be applied if the employee is under the age of 18, 30% stated if the employer is providing accommodation, and 25% if the employee is undergoing training (It should be noted that respondents to this question were able to select multiple options, therefore the totals will add up to more than 100%).

If the Minimum Wage rate were to rise by £1+ per hour, 28% believed this would reduce their need for social security benefits, however it appears that this did not apply to the majority of respondents. Meanwhile, there was a general acceptance (71% agree) that an increase in the Minimum Wage rate would cause the cost of goods and services to rise. However, 60% agreed that a rise of £1+ per hour would greatly improve their own living standards.

General sentiments received reiterated the belief that the Minimum Wage rate should reflect the cost of living, whilst others argued that tax thresholds should rise instead to assist low-wage workers. There was also concern expressed regarding the Island's apprenticeship provision, which has increased costs for the employer despite the fact that many apprentices in construction are paid a lower rate rather than complying with Minimum Wage legislation.

As acknowledged earlier in the report, there is a risk of an imbalance in the views received during engagement on the subject of Minimum Wage given that it is often more difficult to engage directly with individuals on such topics, versus the ability of business to generate collective comment. The review sought to mitigate this risk to some extent by reaching out directly to groups of workers most likely impacted by the Minimum Wage, increases to such or the potential negative consequences in respect to employment opportunities.

Department for Enterprise Executive Agencies

Board members of the Business, Hospitality and Visit Boards were invited to a focus group session, concentrating on the key questions above. As employers, many of whom were operating in industries with high proportions of minimum wage workers, the inputs received have played a significant role in this review. Overwhelmingly, attendees did not support the policy position to align the Minimum Wage with the Living Wage. Furthermore, attendees questioned the validity of the Living Wage in how it is calculated and how this may be subjective.

In similar discussions as those experienced at the Chamber of Commerce session, emphasis was placed on the increasing cost of wages and that increases in the rate of the Minimum Wage causing consequential increases in other pay rates.

Some felt that increasing the rate of minimum wage stifles opportunities for lower earners, as it plays a leading role in the lack of incentive to develop skills as employers do not feel in the position to pay for development. It was argued that introducing more age bands could support this and help existing workers feel more valued.

Comments made in relation to rates of pay for apprentices varied. Some attendees supported not having a Minimum Wage for apprentices as it helps employers to invest in their training. On the other hand, some attendees felt the wages paid to apprentices on the Island are far too low and not sufficient to live on, regardless of the financial investment being made in their training.

It was suggested that in addition to the exemption made for apprentices that a 'training' rate might be of use for those developing skills outside of formal apprenticeship schemes and those in casual working arrangements where the job is not their main source of income.

Emphasis was placed on the need for sufficient notice to employers of increasing the Minimum Wage, echoing previously made comments by the industry.

In relation to the accommodation offset, it was noted that administratively there are easier ways to arrange this than deducting this from wages. It was noted by the Department that most attendees either weren't aware of the offset and for those who were, they did not utilise it. The Department notes that there are industries on the Island where utilisation of the offset is more common and efforts will be made to encourage input from those industries at a later date.

Many attendees made comment on the overall cost of living on the Island and the need for discussions on the Minimum Wage to be taken in a holistic manner alongside others and conversations regarding skills gaps, the tax threshold, and professional development.

Minimum Wage Committee

The Minimum Wage Committee serves a statutory advisory function under the Minimum Wage Act 2001 and is a key stakeholder in the review process. As part of this work, the Department has examined previous recommendations made by the Committee and engaged with all members to discuss the key questions outlined above.

Feedback largely aligned with findings from previous reports and reflected perspectives within the Island's business community. Worker representatives emphasised the need to maintain a balance, highlighting concerns that excessive wage increases could lead to workforce reductions as employers seek to manage labour costs.

Regarding the current policy of harmonisation, it was widely acknowledged that the proposed timeline of 2025 is unrealistic and not advisable. While the initial recommendation of the Tynwald Select Committee was regarded as well-intentioned, practical considerations suggest a more measured approach may be required. Discussions reaffirmed that the original policy objective of the minimum wage was to provide a financial safety net rather than establish aspirational pay rates.

With respect to the Accommodation Offset, the preference was to maintain the current rate, which is consistent with the Committee's previous recommendations on this matter.³⁴

Additional commentary focused on the broader cost of living on the Island, with suggestions for alternative measures to support minimum wage workers. These included a review of tax and national insurance thresholds to enable lower earners to retain a greater proportion of their income, as well as considerations related to housing costs.

³⁴ https://www.gov.im/media/1385884/minimum-wage-recommendation-2024-final-redacted-signed_compressed.pdf

Public Consultation – Minimum Wage Committee

The consultation³⁵, conducted from August to November 2024, aimed to gather views on the operation of the Minimum Wage Act 2001. Responses to the consultation revealed no clear consensus on whether the Minimum Wage Committee should be abolished or retained. Some respondents suggested that if the Committee were removed, a mechanism for review and consultation should be retained.

Proposals included establishing a Low Pay Commission similar to the UK model, comprising industry representatives, experts, employers, and trade unions with experience in understanding the impact of such measures. Others questioned the necessity of the Committee following alignment with the Living Wage. Respondents wanted the wage-setting process to be transparent, data-driven, and consultative, avoiding rigid or overly political frameworks. The method for determining the wage should ideally balance worker welfare with business sustainability, recognising sectoral and economic variations

Office of Human Resources

As a major employer on the Island, the Office of Human Resources (OHR) provided clear insights into the importance of pay differentials and the identification of potential impacts.

As part of the discussion with OHR it was recognised that the move to a Living Wage may put significant pressure on lower PSC pay bands, potentially eroding pay differentials and leading to the removal of the lowest spine points altogether.

While the PSC does not employ minimum wage workers, an increase to alignment with the current Living Wage would affect lower earners within the public service, necessitating adjustments to their salaries to align with the revised Minimum Wage. As the Minimum Wage rises, it would contribute to narrowing the gap between pay scales, potentially resulting in individuals with differing responsibilities receiving comparable remuneration. To address this, such an increase would likely prompt a comprehensive review of all pay scales, leading to broader impacts and costs.

Following a request to estimate the cost of increasing the lowest paid hourly rate, it was confirmed that this change would only affect staff on spine point 11 of the PSC scale. The financial impact for AA roles alone would be relatively modest³⁶. However, if extended to include other civil service roles —such as those in administrative support and the Skills Zone 1 scales — the overall cost would rise significantly, reaching a mid five-figure sum annually.

It should also be noted that proposed increases are set against the backdrop of a broader drive to improve government efficiency and reduce costs, highlighting the importance of sustainable wage policies in relation to wider Government goals.

Key Findings of stakeholder engagement sessions

In discussions with stakeholders, there was a consistent recognition of the need to have workers paid a fair wage however, discussions regarding how this might work in reality and what that rate should be differed greatly.

³⁵ https://consult.gov.im/economic-development/review-of-the-minimum-wage-act-2001/results/march2025reviewoftheminimumwageact2001consultationsummary_compressed.pdf

³⁶ <https://hr.gov.im/media/2923/psc-pay-bands-ntnsp-uploaded-220525.pdf>

Engagement with the following stakeholders has been presented by theme below.

Minimum Wage Methodology

It would be fair to say that the majority of stakeholders regarded the current policy position of harmonisation with the Living Wage as untenable in the present economy whilst still recognising the need for workers to be paid a fair wage.

Regarding the current policy of harmonisation, it was widely acknowledged that the proposed timeline of 2025 is unrealistic and not advisable. While the initial recommendation of the Tynwald Select Committee was regarded as well-intentioned, practical considerations suggest a more measured approach may be required. Discussions reaffirmed that the original policy objective of the Minimum Wage was to provide a financial safety net rather than establish aspirational pay rates.

- **Feedback regarding aligning Minimum Wage with the Living Wage** – from employers there was a general lack of support for aligning the Minimum Wage with the Living Wage, questioning the accuracy and objectivity of the Living Wage calculation and casting doubt on its validity as a policy benchmark. The Minimum Wage Committee restated that minimum wage policy should serve as a financial safety net, not a tool for achieving aspirational pay levels. Conversely, from individuals, the majority supported basing the Minimum Wage off a cost of living calculation, suggesting an approach aligned to the Living Wage. However, the strongest sentiment aligned to the need for a clearer position in respect of timings of increases, and that they were easily understood.
- **Defining the Living Wage** - a key discussion point was defining what constitutes a "living wage" and ensuring it reflects the rising cost of living. Concerns were raised about whether current wage calculations could keep pace with inflation and external economic factors.
- **Unrealistic timeline for harmonisation** – Employers and the Minimum Wage Committee widely agreed that the proposed 2025 timeline for harmonisation was unrealistic and inadvisable. In the survey of individuals, a large proportion of low paid workers accepted that a significant increase in the rate would have a detrimental impact on inflation.
- **Wider economic impact of wage increases** - a consistent concern was the knock-on effect of minimum wage rises which can result in wage increases across all levels, not just for minimum wage earners. Even in industries without a high proportion of minimum wage workers, such as those with traditionally higher earning employees, employers noted that increase still had a financial impact. Worker representatives of the Minimum Wage Committee stressed the importance of balancing wage growth with employment security, warning that excessive increases could result in job losses as employers adjust to higher labour costs.
- **Need for a holistic policy approach** - employers noted the need to address minimum wage issues alongside broader challenges such as the cost of living, housing costs, skills gaps and workforce development strategies. There was further feedback regarding alternative support for low paid workers, including recommendations to consider tax thresholds for lower earners to mitigate the cost pressure for employers.

- **Impact on consumers** - Overall, it was generally considered that service providers would have to increase prices of their services (food, childcare etc) in order to cover the rises in the rate of the Minimum Wage. In addition to these price increases, some employers indicated that they would also have to reduce staff hours which not only negatively effects the worker but also may have a detrimental impact on the level and quality of service they can provide.

Process of the Minimum Wage – Schedule of Increments, Age Bands, Accommodation Offset

- **Mixed views on age bands** - The treatment of younger workers and apprentices was highlighted, with a need to balance fair wages with opportunities for entry-level positions and training. This raised concerns about fairness, particularly for younger workers. Chamber Members supported retaining age bands, with some support for reintroducing more age categories to encourage youth employment.
- **Need for predictability and administrative challenges** – consistent feedback regarding the importance of receiving adequate notice about a Minimum Wage increase to allow for effective budget planning, reflecting the operational need for predictability in wage costs. For workers there was strong consensus (74%) that the Minimum Wage increase should be predictable and transparent, with an annual rise at the same time each year. Concerns about job loss due to wage increases were minimal, as only 13% feared this outcome.
- **Need for better data** - there was strong support for better data to inform decisions around the Minimum Wage, with limitations regarding current data on individuals earning minimum wage, impact of increases, and accommodation offset data.
- **Negative impact on training and development** - Some employers noted that higher minimum wages reduce incentives for skills development as employers struggle to afford training or reward skill progression.
- **Limited awareness of the Accommodation Offset** - many employers were unaware of how this is used or applied – with some stating it would be simpler to manage accommodation separately from wages. There was broad support from the Minimum Wage Committee to retain the current accommodation offset rate.
- **Need for improved communication and outreach** - A key challenge is how to effectively engage younger and lower-paid workers, especially in helping them understand how wage policy works. Better communications strategies are needed to reach and involve these groups in the process.
- **Role of the Minimum Wage Committee (MWC)** – There were mixed views on the role of the MWC, with many calling into question the rationale for the MWC if the methodology were to change significantly. In the 2024 public consultation there was broad support for maintaining some form of expert or advisory body, even if the current Committee is replaced or restructured.

Alternative rates, exemptions, and evaluation

- **Mixed views on apprentice pay and calls for a 'training rate'** - views varied on apprentice pay, some supported no minimum wage for apprentices to enable employers to invest more in training, where others felt that the current rates are too low and insufficient to cover basic living costs, regardless of training benefits.

- **Little support or feedback regarding other alternative rates** – No strong views came forward regarding potential offsets or alternative rates.

Section Five: Key Findings and Recommendations

The review has underscored the importance of balancing fair wages with economic sustainability. Stakeholders emphasised the need for careful planning, clear communication, and consideration of broader economic factors to ensure a fair and sustainable approach.

A significant proportion of stakeholders expressed concerns about the feasibility of harmonising the Minimum Wage with the Living Wage by 2025. Employers questioned the accuracy of Living Wage calculations and the potential economic impact. The Minimum Wage Committee maintained that the minimum wage should serve as a financial safety net rather than an aspirational target. Discussions highlighted the challenges of defining a "living wage" that accurately reflects the rising cost of living and inflation.

A key point of consensus was the need for predictability in wage increments to facilitate effective budget planning.

In regard to other elements of the Minimum Wage, it was generally perceived that these matters were minor in comparison, with more focus given to the primary challenges of the methodological approach.

There were mixed views on age bands, with some advocating for their retention and enhancement to encourage youth employment, while others questioned their fairness. The accommodation offset was noted to be poorly understood by many employers, with suggestions for clearer communication and potential simplification.

From a broader perspective, economic literature suggests that moderate increases in minimum wages have limited effects on employment. However, stakeholders expressed concerns about potential negative outcomes, including job losses, business closures, and inflationary pressures. A report by Pragmatix Advisory estimated that harmonising the minimum wage with the Living Wage could cost Island businesses £188 million in the first year³⁷, with potential job losses and reduced hours. Conversely, government finances could see a net benefit due to increased tax revenues. The business community's concerns were heightened by broader economic pressures like inflation and ongoing impacts from the pandemic.

Ultimately the findings and recommendations have been grouped into three key areas:

- Methodology of the Minimum Wage and its link with the Living Wage
- Processes of the Minimum Wage
- Alternative rates, exemptions, and evaluation

³⁷ https://www.gov.im/media/1385882/2024-06-05-harmonization-of-wage-rates-business-harm-versus-households-_compressed.pdf

Proposal one: Methodology of the Minimum Wage and its link with the Living Wage

The research and stakeholder engagement outlined in the review reveal the complex balancing act between ensuring fair wages for workers and addressing potential economic repercussions. While some support aligning the Minimum Wage with the Living Wage, there is recognition of the need for a more measured approach that takes broader economic factors into account, such as inflation, the cost of living, and the impact on businesses.

Rather than the continued policy of alignment with the Living Wage, a median earnings-based approach, such as the one used in the UK, could provide a more measured solution.

A median earnings-based minimum wage may offer several advantages over the proposed Living Wage harmonisation, making it a more pragmatic option for ensuring consistent wage review.

As outlined above, median earnings better reflect the economic realities of the broader workforce. By using a percentage of median earnings, the minimum wage adjusts automatically over time with shifts in economic conditions, making it a more flexible and responsive solution to changes in the cost of living and income inequality. The median earnings model helps to ensure that workers' wages keep pace with economic growth, rising living standards, and inflation, reducing the risk of workers falling behind or being left in poverty despite their employment.

In contrast, the Living Wage is calculated with the aim of ensuring workers can afford a basic standard of living, but it does not always consider the broader economic context, such as what businesses can reasonably afford to pay. This can lead to potential conflicts, as employers may find it difficult to meet the Living Wage expectations. This has been evident in the recommendations from the Minimum Wage Committee over the last few years.

Median earnings provide a well-established and internationally recognised reference point in poverty measurement. As outlined in this review, the UK defines low income as earnings below 60% of the median, aligning with broader social policy objectives aimed at reducing income inequality. In the same way, international organisations such as the OECD and the European Union also adopt similar thresholds. The OECD commonly uses 66% of median income to define low income, arguing that this relative measure offers a more accurate reflection of economic well-being and social inclusion than absolute poverty lines. The UK similarly has a target of 66% of median income for their National Living Wage. The Island's Minimum Wage is already around 60% of median earnings, therefore a target of 66% would not only reflect the feedback regarding a simpler methodology, but would also provide a clear trajectory of increases for low paid workers.

This clearly sets a rationale for the Isle of Man attaining 66% of median earnings in line with neighbouring jurisdictions, attaining a 'National Living Wage' akin to the commonly recognised methodology regarding relative poverty.

While the percentage of median earnings used can appear arbitrary, it is based on established statistical and policy frameworks and provides a clear, straightforward approach to setting the minimum wage. The median earnings approach should also provide a more predictable framework for determining proposals for the Minimum Wage, enabling a clearer schedule of increments and transparency of data sets.

Recommendation One - *That the process for determining proposals in respect of the Minimum Wage be set as a percentage of Isle of Man Median Earnings.*

Recommendation Two - *That the percentage calculation be set at 66% of Median Earnings for April 2026 implementation, delivering a Minimum Wage rate directly tied to a commonly recognised Living Wage benchmark.*

Proposal two: Processes of the Minimum Wage

The current methodology for setting the Minimum Wage relies on ad hoc recommendations by the Minimum Wage Committee and a reliance on resources that can be out of their control. This unpredictability creates challenges for workers and employers without a clear understanding of when the rate will be increased. Feedback has consistently pointed to the need to implement a set schedule of increments, with an annual increase cited as the most pragmatic and favourable approach. Through implementing a clear timeline for proposing, and implementing the rates of Minimum Wage, workers and employers would have more certainty for planning and effective budget management.

In regards to age bands, there was a general consensus that the two minimum wage bands be retained. The current system reflects wider trends in the treatment of younger workers in the UK, as well as balancing the need for fair remuneration and levels of experience.

The continuation of a 'youth rate' received strong support from employers who argued that it encourages youth employment and creates more opportunities for training and development.

There was limited feedback, awareness, and understanding of the accommodation offset among employers, highlighting a need for more work to clarify its purpose and application. Many stakeholders were unclear about how the offset operates, and questioned its validity in relation to the accompanying administrative burden.

The recommendation regarding the methodology of the Minimum Wage also draws the conclusion that the Minimum Wage Committee's statutory role must be reviewed. If the rate is established through a clear, statistical basis, it calls into question the role and function of the Committee and the nature of the Minimum Wage Act.

Recommendation Three - *That the Minimum Wage rate is brought to Tynwald for approval in October each year, with an implementation date of the following April. Flexibility to amend this schedule will be retained in legislation.*

Recommendation Four - *That the Isle of Man retains two distinct age bands, the single hourly rate using the methodology above, and the youth rate which should maintain a differential in 'absolute' terms of £2.70 less an hour than the single hourly rate.*

Recommendation Five - *That the Accommodation Offset remain unchanged for April 2026, with a further review into its uptake, efficacy and impact undertaken.*

Recommendation Six - *That the Department for Enterprise prepare legislation to include recommended changes to Minimum Wage legislation., including the role and function of the Minimum Wage Committee.*

Proposal three: Alternative rates, exemptions, and evaluation

Throughout the review there was a clear focus on the core challenges of methodology with limited feedback on other areas. Topics such as training rates, offsets, and other exemptions were generally seen as ancillary and less critical compared to the core areas that require more attention and action. The absence of clear consensus or strong feedback on these matters indicates that they do not hold the same level of urgency or importance and may require further investigation and communication.

The review has shown that there is a need for regular policy review in this space. Any ongoing assessment should include a thorough sense check to ensure that the policy remains effective and aligned with current economic conditions, labour market trends, and the needs of both workers and employers. As part of the review into the role and function of the Minimum Wage Committee, it is important to investigate the need for independent verification and impact assessment.

Recommendation Seven - *That no additional rates or exemptions are to be brought forward at this time.*

Recommendation Eight - *That a review into the impact of the implementation of this policy be conducted.*

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