



4th December 2023

The Secretary to the Minimum Wage Committee
Department for Enterprise
Nivison House
Prospect Hill
Douglas
IM1 5ET

Dear Miss Weadock

The following sets out the views and representations of members and the wider business community across all sectors but in particular, retail, hospitality sectors (hospitality covering visitor accommodation, food & beverage), care, manufacturing and engineering. Combined, these sectors employ several thousand personnel, with an above average preponderance of lower-skilled, casual, shift workers and/or younger employees who are contracted at (or close to) the current minimum wage levels.

There is great concern around current economic circumstances and the effect that another increase in minimum wage will have on local businesses that are already under great strain of the cost of doing business. We fear that another increase could lead to employers making redundancies or scaling back hours and spark wage disparity.

We are aware that the setting of minimum wage is now effectively determined by the government's policy of moving to living wage by 2025, but to repeat what we expressed last year, we fear that moving too fast will have the opposite effect to that intended, with businesses folding and lower-paid staff losing their jobs rather than seeing an improvement in their living standards.

Chamber undertook a survey of its members asking them to give their views on a rise in minimum wage and the harmonisation of minimum wage to living wage. The underling message is clear – that this will impact the majority of businesses and is no longer just related to the usual hospitality / retail sectors. We are seeing messages from businesses saying they may have to relocate and/or increase prices. Another increase reduce the gap between skilled and unskilled labour. Another point to consider is a rise in minimum wage will eliminate the lower pay scales within Government, including bands 1 and 2, and possibly affecting some within band 3.

Chamber believes that government should:

1. **Sow down the speed of transition** on a decision that predates the economic shocks that have impacted the Island over the last few years
2. **Undertake a full economic impact assessment.** In our submission last year and further correspondence with the Treasury Minister, Chamber asked for Government to '*consider taking external, macro-economic advice on the approach to the living wage transition. The economic dynamics currently at play are complex, and it must surely make sense to get the right advice to*



ensure the transition from minimum to living wage is handled in a way that optimises the eventual outcome for government, workers, and employers’.

A report has been published <https://www.gov.im/media/1380823/economic-impact-min-living-wage-sep-2023-report-201023.pdf>, however, it does not address the economic impact assessment of harmonising the two levels (min and living) in 2025 and predictions of jobs lost and businesses closing.

On page 15 it states: “Ultimately, the level of this risk in terms of likely business failures is unknown, especially in the context of numerous compounding economic pressures over the past few years including the COVID pandemic and inflationary situation.” This is what Chamber would like to see modelled, to offer insight into the likely number of business closures.

- 3. Provide financial support to underpin the transition** - If government is determined to stick with the 2025 timetable, it needs to provide financial support to the worst-affected parts of the local economy. Some form of tapered relief needs to be put in place to cushion what is going to be a major blow to many. Without it, the risk of business failures over the coming few years, when inflation and /or recession will be endemic, is alarmingly high.

Yours faithfully

Rebecca George
Chief Executive

Sent for and on behalf of the members of the Chamber of Commerce

Cc'd: Treasury Minister, DfE Minister, Chamber Board, Chamber Sector Leads

Sector specific views:

Engineering and Manufacturing

- Considerations needed for sectors who have apprenticeship schemes – This min wage impact means costs to hire apprentices and train them are higher (our apprentices are 18/19 years old when they start in industry).
- Min Wage – Living Wage increase means our pay scales are compacted and compressed. In order to correct this, Swagelok are having to consider 5-15% pay increases across our entire hourly workforce. This will cost in the region of an additional £400,000 per year.
- The increases are not reflective of the traditional nature of our businesses and there needs to be a distinction of STEM industries versus service industries on island.
- These increases for an international manufacturing company mean we are a more expensive jurisdiction compared with other international locations.



LVA

There is far too much pressure on small businesses at the moment from every angle for the government to continue with this policy without adding some protection, unless they are trying to decimate their local small businesses.

If the government's real concern is for the lower paid, they must prove that and raise alongside the minimum wage the lower national insurance thresholds and personal tax allowances by AT LEAST the same levels.

Secondly, there has to be now a consideration of younger workers with little skill, experience or commitment being on a different banding. This is not to say that young people can't earn more, but while people are developing these skills they can't be earning as much as others, which is what is happening as more and more people will end up on minimum wage overall.

Most importantly we think that government must look at the cost of employing people overall, and the implosion of our local economy for small businesses.

There should be a banded level of EMPLOYERS national insurance contribution to cover smaller businesses and smaller salaries. Support our small businesses or see our economy fail.