Isle of Man Chamber of Commerce

Minimum Wage - Additional Reading

The examples below are anonymised summaries drawn from member & business feedback

Isle of Man Sector Evidence

Engineering and Manufacturing

We will not take on apprentices due to the minimum wage. We will look and recruit fully trained craftsmen about middle of next year once the economic slump in the world economy is in full swing.

We continue to invest in automation, i.e. cutting out labour costs where possible. In this we are fortunately ahead of our competition.

We have to make the workload meet current staffing levels (i.e. no current recruitment, no apprentices etc.), so we outsource / offshore more work than in the past - generally to Eastern Europe or the US.

One of our long-standing manufacturing members has told us that wage-related cost increases over the past two years have already run into the **hundreds of thousands of pounds.** They warned that this level of cost pressure can undermine confidence from overseas investors, who are already cautious about the island's competitiveness.

The member also highlighted that planned investment projects are now **on hold**, because they cannot commit capital while operating costs keep rising faster than productivity or market conditions. They noted that international companies are beginning to consolidate roles back to their home markets due to global pressures, including tariffs, and that the Isle of Man is not immune to those trends.

Their message is clear: Government must do everything possible to **limit avoidable cost pressures** on employers, or the island risks further decline in manufacturing – a sector that supports many other parts of the economy. Manufacturing jobs have a strong multiplier effect, and the wages earned by those employees flow straight into local businesses.

Service-Sector

One service sector employer reports that it has made a public and long-standing commitment to being a Living Wage Employer.

However, the business experiences persistent challenges when dealing with government bodies on contract renewals and extensions, particularly for longer-term agreements. Despite government organisations promoting policies on fair pay and social responsibility, the employer regularly faces significant resistance when seeking modest price adjustments to cover the annual Living Wage uplift required to maintain its accreditation.

The business describes prolonged and adversarial negotiations driven by internal government budget constraints, procurement rules, and policy inconsistencies. These pressures appear to override the stated commitment to fair wages, resulting in public-sector buyers resisting increases that are essential to uphold Living Wage standards.

This creates a clear paradox: a business acting ethically and sustainably is effectively penalised for doing so by the very public-sector bodies that publicly support fair wage principles. As a result, the employer's ability to maintain its Living Wage status on public-sector contracts is placed at risk. This inconsistency undermines confidence in government wage policy and highlights the practical tensions between public-sector procurement frameworks and wider economic and social objectives.

Care Sector

An established charitable care home reports significant financial pressures arising from recent and upcoming minimum wage increases. The organisation aims to keep room fees as low as possible, including for long-standing residents who pay below the published fee structure. The home receives no government funding and relies on donations and fundraising to supplement fee income.

The care home reports that fundraising has become increasingly difficult since the pandemic. As a result, it has experienced operating deficits, including a recent annual deficit of approximately £99,000. The organisation also faced additional costs during the pandemic period due to restricted admissions and the need to use agency staff.

Despite tight margins, the home had already approved a 4 percent pay increase for staff. While the minimum wage increase is supported in principle and will be implemented, the organisation confirms it will place further strain on resources. Room fees will rise by 6 percent to offset some of this pressure, but the home warns that further increases may be required, placing additional financial burden on residents and families.

The home notes that the pressures it faces are not unique and that other sectors—including hospitality and care—will experience similar challenges as wage compression and rising operating costs intensify.

The care home wishes to maintain fair pay for its workforce but states that rising wage costs, without corresponding financial support, threaten the sustainability of its operating model. The organisation highlights the inconsistency between policy ambitions for higher wages and the lack of direct government support to providers who are expected to deliver them.

The home indicates that, to remain viable under the new wage structure, care providers may require support such as:

- targeted grants or funding contributions;
- government-funded placements, similar to previous schemes elsewhere in the sector;
- structured engagement with decision-makers during minimum wage deliberations.

This case illustrates the wider issue that charitable and low-margin care providers—who support some of the Island's most vulnerable residents—cannot absorb large wage increases without risking service reductions or further fee increases for residents.

External Evidence from the UK

Independent analysis from the Resolution Foundation shows the scale of pressure fast wage rises are creating for the UK economy. The 2025 adult minimum wage is set to rise by 6.7 per cent. Youth rates rise even faster. Sixteen to seventeen year olds face an 18 per cent rise. Eighteen to twenty year olds face a 16.3 per cent rise.

When these increases are combined with higher employer National Insurance and lower thresholds the cost shock is significant. The Foundation calculates that labour costs for a part time minimum wage worker will rise by about fourteen per cent in a single year. They warn this is the biggest rise in employer costs since the UK introduced the minimum wage in 1999.

Their conclusion is stark. They state that the combined effect of the minimum wage rise and the National Insurance changes will reduce total employment by **80,000**. Young people are at particular risk because they are more likely to be in part time or entry level roles where hours can be cut quickly.

The UK evidence shows what happens when wage policy moves faster than business conditions. It puts pressure on employers. It risks unintended harm to the very workers it is meant to support.

A recent article from *The Economist* states that governments should now reconsider ongoing minimum wage rises because the economic evidence shows they can do more harm than good. The article explains that the minimum wage has become a **“crude and wasteful”** tool for supporting low-income households, as many minimum-wage earners are not poor and live in higher-income households. As a result, minimum wage increases often fail to target the people most in need.

The article highlights that when businesses pass higher wage costs onto consumers through price increases, **low-income households are hit the hardest**. This creates what it describes as a potential **“doom loop”**: higher wage mandates increase costs, prices rise to compensate, affordability worsens, and workers are no better off. In high-cost regions such as New York, the article warns that large increases would significantly raise living costs and reduce employment opportunities.

According to *The Economist*, there are **more effective alternatives** for helping low earners. Targeted in-work tax credits deliver support directly to low-income households without increasing business costs or pushing up prices. The article concludes that, after years of steep minimum wage increases, **the responsible next step is not to go higher, but to pause**.

Source: *The Economist – “Why governments should stop raising the minimum wage”, 20 Nov 2025* https://www.economist.com/leaders/2025/11/20/why-governments-should-stop-raising-the-minimum-wage?giftId=OTFhZjk5NmEtZmVkMi00ZTdmLWFmOTAtZDExY2FhYzg3ZmMz&utm_campaign=gifted_article

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