



Potential Consequences and Impact of Proposed Double Minimum Wage Increases on Isle of Man Businesses

Submitted to: All Members of Tynwald

By: Isle of Man Chamber of Commerce

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Summary

The Isle of Man Chamber of Commerce represents over 500 businesses across multiple sectors, including industries most vulnerable to wage cost increases, such as hospitality, retail, and care. While Chamber fully supports the principle of fair wages and the Isle of Man Government's commitment to aligning the minimum wage with the living wage, we have serious concerns about the **proposed timeline** and its **potential economic impact**.

We **urge Members of Tynwald to reconsider the October 2025 increase** and instead **adopt a phased approach** that allows businesses time to adjust. A **rapid wage hike**, particularly in the midst of existing economic pressures, risks **business closures, job losses, and a shrinking labour market**—ultimately harming the very workers these policies aim to support.

Employers already face **significant financial strain**, and without intervention, these measures could lead to:

- **Job losses and reduced working hours** as businesses struggle to absorb higher wage costs.
- **Increased reliance on automation** and job restructuring, disproportionately affecting younger and lower-skilled workers.
- **Higher consumer prices**, making goods and services less affordable for all residents.
- **A contraction in key sectors**, particularly hospitality and care, where businesses operate on narrow margins.

These concerns are further supported by the independent [Pragmatix report](#) (June 2024), commissioned by the Minimum Wage Committee, which assessed the economic impact of harmonising the Isle of Man's minimum and living wage. The report warns that a transition by spring 2025 is **'probably too fast'** and that **certain high-risk sectors could face significant disruption if the increase is not phased appropriately**. Key findings from this research are referenced throughout this paper.

Chamber strongly recommends that Tynwald **delays the October increase** and instead **commits to a full and comprehensive review of the economic impact**. This approach would provide time to **identify sustainable solutions** without exacerbating financial distress for businesses and employees.



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Economic Risks and Business Impact

1. Ripple Effects Across the Wage Scale

Raising the minimum wage does not only affect entry-level wages. It creates **upward pressure across all salary bands**, as businesses must maintain fair pay differentials. This increases financial strain on employers, particularly **small and medium-sized enterprises (SMEs)**, which make up the majority of the Isle of Man's business community.

"As a small engineering company, rising costs of raw materials, subcontractor fees, and off-island transport already make financial viability a challenge. Wage compression due to the minimum wage increase will further erode our competitiveness."

The **Pragmatix report** suggests that, *in the short term, the overall economic impact of the minimum wage increase on the Isle of Man may be limited. However, depending on various factors—including consumer confidence, business responses, and cost absorption strategies—the outcome could be marginally positive or negative. This uncertainty highlights the need for a carefully managed transition rather than a rushed implementation.*

2. Impact on Employment

Employers have **explicitly warned** that the proposed increases will force them to **cut jobs, reduce working hours, and withdraw opportunities for young workers**. Some key concerns include:

- **Fewer youth employment opportunities**, as hiring 16–22-year-olds becomes cost-prohibitive.
- **Increased use of zero-hour contracts**, further destabilising job security.
- **Reduced access to work experience and apprenticeships**, as employers struggle to justify training costs for inexperienced workers.

While some households may see a modest increase in earnings and spending power, the **Pragmatix report** warns that certain groups—particularly those in more vulnerable roles "*are at risk of reduced working hours or job losses as businesses adjust to higher labour costs.*"

Engineering:

"We had planned to recruit a trainee for our engineering department, but with the impending wage rise, we have put hiring on hold. Instead, we will invest in automation and outsource lower-margin tasks, rather than hiring entry-level workers."

"If we take on an intern or provide work experience, we must pay them minimum wage or risk breaking the law. The Isle of Man Government is making it too expensive to offer work experience."

Hospitality Sector:

"Many in our sector are already cutting staff hours to survive. This increase will lead to further reductions and potential job losses."

"Most of us do not pay minimum wage anyway, but as it rises, we must increase pay across the board. This adds immense pressure on small businesses trying to stay afloat."



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"Youth unemployment will rise because businesses cannot afford to pay inexperienced workers over £28k per year."

Retail Sector:

"Retail businesses already operate on slim margins. This increase will force price hikes, potentially driving away customers and reducing competitiveness."

Hotel Sector:

"A 14% increase in wages would add 10% to our payroll costs. That is untenable. We will have to mitigate with redundancies."

"We can absorb inflationary increases, but this wage-driven cost increase is impossible to offset entirely."

Care Sector:

"Higher wage costs will drive up the price of care, making services less accessible for those in need."

"We may need to reduce staff numbers, which could lead to a decline in care standards and increased pressure on family carers."

Construction sector:

*"Even businesses that do not employ minimum wage staff will be impacted, as wage differentials must be maintained. This could lead to **a 16% increase in wage costs—an unsustainable burden** in a struggling market. Instead of adding to industry pressures, the government should consider **reducing income tax and national insurance for lower-paid workers**, offering real financial relief without hidden taxation."*

"The proposed minimum wage increase will not only lead to higher labour costs for inexperienced and unskilled labour, the associated wage compression will lead to increased labour costs across the board"

"We anticipate the proposed increase in minimum wage will have a significant effect on our organisations ability to continue employment of apprentices."

3. Rising Costs for Businesses

The October increase would require businesses to **harmonise wages to a £13.05 living wage**, just as they enter the **winter downturn**—a time of seasonal losses for many industries.

Key cost pressures include:

- **Rising supply chain costs** and raw material expenses.
- **Increased energy bills and inflationary pressures.**
- **Ongoing post-pandemic financial recovery.**



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Large Café Owner:

*"To cover these costs, we would need an extra **5,555 customers per year**—an impossible target in the current economic climate."*

"VAT alone will increase by £20,000 due to wage hikes, further compounding financial pressures."

The Pragmatix report identifies nurseries, care homes, hotels, restaurants, and retail as sectors facing substantial financial risk from the proposed wage increase... *"Businesses in certain 'higher risk sectors' such as nurseries, care homes, hotels, restaurants and retail – face potentially substantial detriment from the proposed increase in the minimum wage".*

4. Pension and Tax Contributions

Higher wages also mean increased employer contributions to **pensions, national insurance, and benefits**, creating an **even greater cost burden**. These additional financial commitments are often overlooked in wage policy discussions but have a profound impact on business viability.

Potentially, this increase in this timeframe could have a negative effect on the overall tax and National Insurance take for Government, such are the measures that employers might take in response. If businesses are forced to cut jobs, reduce working hours, or shift towards automation, the overall payroll tax base could shrink, counteracting the intended benefits of wage increases.

The Pragmatix report notes that... *"the government itself is likely to benefit from higher revenues due to increased payroll tax and National Insurance contributions".*

Recommendations and Conclusion

Primary Recommendation: Delay the October Increase

Postpone the October 2025 Minimum Wage Increase

We urge the government to delay the planned minimum wage increase in October 2025 to give businesses time to adjust and to allow for a full review of the economic impact. A rushed implementation risks unintended consequences, including business closures and job losses.

Key highlights from the **Pragmatix report** (an independent assessment commissioned by the **Minimum Wage Committee**, published June 2024), reinforce this concern:

"Our research suggests that harmonisation by spring 2025 is probably too fast. We would advise a longer period of transition from the current rate to the living wage, and for the duration of the transition to be clearly linked to the evolving state of the economy and the ability of higher risk sectors to safely absorb the cost increases."

This aligns with the feedback from businesses and economic modelling, which indicates that a phased approach would allow industries to adapt without destabilising the labour market.

Phased Approach to Harmonisation

Given these concerns, we recommend that the harmonisation of the living wage and minimum wage be achieved over a longer timeframe, with a suggested three-year transition period. This would



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provide businesses with the necessary stability to plan and adapt while ensuring employees benefit from wage improvements in a sustainable way.

Urgent Clarification on Living Wage Calculation

To support informed decision-making, it is essential that clarity is provided on how the living wage is calculated. This transparency is critical in understanding its impact on inflation, employment, and the wider economy.

Additional Measures for Consideration:

- **Reintroduce a development worker rate (18-20 age bracket):** A lower tier for younger workers and trainees would allow businesses to retain and train inexperienced staff without pricing them out of the job market.
- **Ensure accessible business support:** Offer targeted relief measures, including **grants, tax breaks, and transitional funding** for sectors most affected (e.g., hospitality, retail, care).
- **Increase tax thresholds for low-income workers:** Raising personal tax allowances would ensure workers benefit from wage increases **without overburdening employers**.
- **Adopt tiered wage structures:** Implement **differentiated minimum wage rates based on experience and age**, similar to the UK model (e.g., **16-17, 18-20, and 21+**).
- **Industry consultation:** Engage directly with **business owners, employees, and trade bodies** to develop sustainable wage policies that support both **workers and employers**.

Chamber supports the Isle of Man Government's goal of aligning the minimum wage with the living wage. However, **the proposed October increase risks harming the economy, costing jobs, and reducing business viability**—ultimately working **against** the best interests of workers.

A rushed wage increase will not benefit workers if **businesses cannot afford to employ them**. We call on Tynwald to **pause and reconsider** in the interest of long-term economic stability and job security for the Isle of Man.

Without viable businesses, **there will be no jobs**.

Chamber remains committed to working collaboratively with government and stakeholders to achieve a balanced approach that supports both employers and employees.