

A recommendation of the Minimum Wage Committee (“The Committee”) made under Section 2(1) of the Isle of Man Minimum Wage Act (“The Act”) and made on Monday 15th November 2021.

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;
- 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.

Background

The Committee consists of Ms Anne Marie Weadock as Chairperson and 2 Committee members representing Employers, Mrs Bernie Murphy, and Mr Stephen Bradley MBE; and 2 Committee members representing Employees Mr Jonty Arkell, and Mr Bill Galley. Mr Arkell was once again re-elected unanimously as Deputy Chair, unopposed.

The Committee was consulted on 5th March concerning the process to review the rate of the Minimum Wage. The rates had not been reviewed in 2020 due to the severity of the Coronavirus outbreak worldwide. As the Island was in “lockdown” at that time, it was felt that it was not a good time to review the rate given the difficulties of consulting appropriately with the parties. The former Minister for Enterprise, Hon Laurence Skelly MHK wrote to the Chair on 1st April 2021 requesting an update with regard to process, and asking for a review of the age banding of the various rates.

The Chair replied on 9th April 2021 explaining that whilst there had not been a meeting thus far, the Committee was working remotely on the text for the public notice, which was to be published shortly thereafter in anticipation of the easing of Coronavirus measures, and which would specify that, unusually, the consultation would be in written format only due to the pandemic, except for those Government representatives of whom the Committee itself would seek evidence virtually.

The public notice was published on 27th April 2021 to close on 4th June 2021.

The Committee met on 12th July 2021 to consider the written responses to the public notice, and decide on the process thereafter.

The Committee met again to consider additional submissions and hear virtual evidence on oral evidence on the 24th August 2021.

The Committee met again on the 19th October 2021 to consider the outcome of its deliberations. All meetings were quorate (one meeting was briefly partially not quorate due to the exigencies of the pandemic), and the recommendation below was made by unanimous agreement. A list of submissions is attached at Schedule 1.

The Committee would like to record their thanks to all those who responded to the Committee’s call for evidence.

Aim of the Minimum Wage

At the third reading of the clauses of the Minimum Wage Bill on Tuesday 13th March 2001, Hon. Mr John Shimmin MHK, then taking the legislation through the House of Keys stated that *"the Bill provides a vehicle by which the principle of a statutory minimum wage, which was agreed by Tynwald in October 1999, can be put into effect, thus providing a safety net for those who suffer from unexpectedly low levels of pay. I believe that this Bill addresses in an effective manner that requirement"*.

The extent to which the Minimum Wage continues to provide a "safety net" has recently become a matter for debate.

The introduction of the Manx Living Wage in October 2017 provided, for the first time, a calculation below which it was not possible to live to an acceptable standard. The Living Wage has so far always been ahead of the Minimum Wage.

On Thursday 2nd July 2021, Tynwald accepted the first report of the Select Committee on Poverty, wherein the 7th Recommendation was *"That Tynwald is of the opinion that the minimum wage should transition to the living wage within five years"*. Furthermore on 10th November 2021 the Council of Ministers published *"Our Island Plan: building a secure, vibrant and sustainable future"* which included a policy objective to "Implement Recommendation of the July 2021 Poverty Report, including Minimum Wage Increase moving towards parity with the living wage to address income disparities."

The Committee does not take a view on the foregoing, but bears it in mind after the seven obligatory statutory considerations.

The number of people paid at or below the Minimum Wage is understood to be 2.5% of the economically active population², last counted as being 42,777³. The Social Attitude Survey found a statistically significant gendered pattern of employment: while males were more likely to be employed full-time or to be self-employed, females were more likely to be employed part-time as well as to take up combinations of employment.⁴ Minimum Wage jobs are currently exclusively in the private sector, and often part-time, or at worst Zero Hour positions, and are confirmed by the earnings survey data as being in the "Manufacturing: Food and Drink"; "Catering and Entertainment"; and "Retail Distribution" sectors, amongst others⁵. Research in the UK⁶ has also found once again that minimum wage jobs are more likely to be carried out by young people, disabled people, ethnic minorities, and those with no qualifications.

¹ Taken from page 11 of the plan, November 2021 version available here:

<https://www.tynwald.org.im/business/opqp/sittings/20212026/2021-GD-0085.pdf>

² Taken from Table 10 of the Earnings Survey 2020 available here: <https://www.gov.im/media/1372915/2021-03-10-earnings-survey-2020-report.pdf>

³ Taken from page 8 of the Isle of Man in Numbers 2020 available here:

<https://www.gov.im/media/1369690/isle-of-man-in-numbers-july-2020.pdf>

⁴ Taken from p.19 of the Social Attitudes Survey 2020 available here:

<https://www.gov.im/media/1368108/social-attitudes-survey-2019-report-final-150120.pdf>

⁵ Taken from Table 9 of the Earnings Survey 2020 available here: <https://www.gov.im/media/1372915/2021-03-10-earnings-survey-2020-report.pdf>

⁶ Taken from P.xix, P.65 and P.66 of the LPC Report 2020 available here:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/942062/LPC_Report_2020.pdf

The “Living Wage”

The Cabinet Office’s Economic Affairs Division publishes a report outlining a Manx Living Wage. These reports are very useful for the Committee’s deliberations, and the Committee would recommend that this calculation is taken on a fixed annual basis, to support the considerations of the Minimum Wage Committee as well as policy makers.

The Committee noted that in the United Kingdom, the Living Wage has been developed independently of Government, and is positioned as “best practice” for employers. The Committee fully understand that there are no independent think-tanks or institutions, on the Island, with the capabilities and resources to undertake such a body of work, other than Government; however there are distinct advantages and disadvantages to Government’s approach. Whilst the Committee commends Government’s effort to assist the low paid, and applauds those employers which have adopted the Living Wage; the Committee notes that, for the time being, Government remains in the position of publishing the minimum amount on which a worker needs to live, but legislating for a lower amount.

The Committee was concerned that the UK’s National Living Wage (a rate set by legislation, and recommended by the UK’s Low Pay Commission (hereafter “LPC”)) was different from the UK’s actual “Living Wage” which is set independently. This overlap in the names of the two completely different rates appeared to have caused confusion on the Island with some employers in particular. The Committee wished to reiterate that it is not the role of the Minimum Wage Committee to make recommendations as to the Island’s Living Wage rate (which is set by calculation). The Committee wished to clarify for all parties that the UK “National Living Wage” is the approximate equivalent of the Island’s “Single Hourly Rate”, and not the Living Wage.

Reasons for the Recommendation

(a) Wider social and economic implications

The Committee noted that the overwhelming consideration for the whole economy during the last two years had been the global Coronavirus pandemic, as well as being the reason for there not being a review of the Minimum Wage in 2020 thus permitting employers a breathing space, and retaining opportunities for workers wherever possible in such difficult circumstances as business closures. The Committee remained extremely concerned about the impact of the Coronavirus pandemic upon smaller businesses, many of which appeared at the time of writing to be extremely precarious.

The Minimum Wage Committee noted that the working population was 42,777. The Committee noted that the domestic economy had struggled significantly due to closures, lockdowns and shoppers being restricted or reluctant to congregate; whereas the e-sectors in particular have seemed to have flourished due to their global reach, and workers having more free time at home to engage with their platforms. It seemed to the Committee that these events had exacerbated the “twin-track” economy the Island was already experiencing.

The latest National Income Accounts for 2019-20⁷ indicated that GDP increased from £5.43 billion to £5.53 billion; however this represented a real terms increase of only 0.1%, indicating the potential presence of structural economic weaknesses. 10 sectors were reported as having contracted during the year 2019-20, and a comparison with the CoMin report for March 2020⁸ indicated that the sectors which had contracted economically accounted for 17967 jobs, and

⁷ Isle of Man National Income 2019/20 October 2020 available here:

<https://www.gov.im/media/1374972/national-income-2019-20-report-151121.pdf>

⁸ CoMin report March 2020 see page 13 available here: <https://www.gov.im/media/1369293/quarterly-economic-and-statistical-report-january-march-2020v2.pdf>

the sectors which had contracted most in terms of jobs accounted for 34465 jobs or 69.5% of the labour market, at the end of March 2020.

Bringing figures back up to date, unemployment in September 2021 had fallen dramatically back to almost pre-Covid levels with 365 job seekers in September 2021, compared to 320 in September 2019. Employment had continued to be precarious. The average number of employments per employee has fallen to 1.19, however the overall number of employments had decreased from 52350 when the Committee last reviewed the figures to 50810 at the end of September 2021 indicating that part time and zero hour positions continued to be prevalent (the so-called "gig economy"). In the sample of workers used in the 2019 and 2020 Earnings Surveys, the percentage of workers working under Zero Hour contracts had fallen from 18% to 12%⁹ although the extent to which this was affected by the Coronavirus pandemic is unclear as the survey was conducted in June 2020. The Committee noted from an answer to an House Of Keys question from Hon. Ms Julie Edge MHK, in December 2020, that a consultation concerning Zero Hour contracts was due to be held prior to the end of 2021¹⁰. The Committee felt that something should be done to restrict the use of Zero Hour contracts, however stopped short of recommending an outright ban due to the complexities and the balancing of industrial priorities.

The Committee noted figures from the JobCentre from October 2005 (the earliest figures which were available), which indicated that 13.5% of vacancies at the end of that month were part-time. This compared to 30% in October 2018, as noted in the Committee's last recommendation, and 38% in 2021 a significant increase through time.

As stated above, the Committee noted that GDP had barely grown by 0.1%. It remains accepted that low paid earners spend a higher percentage of their earnings, compared to workers in the higher paying sectors, who have greater opportunities to save.

The average hourly wage had fallen from £22.40¹¹ to £21.20¹² per hour, and the median wage had increased from £593/week to £611/week between 2019 and 2020 a rise of 3.03%. The median wage had risen from £558/week to £573/week by 2.68%, and was significantly higher than inflation over the same period (CPI -0.2% in June 2020¹³) this ought to have increased local spend.

Comparison with the current minimum wage in other jurisdictions is difficult however some examples are:

Guernsey: the adult rate was increased from £8.50 to £8.70/hour for over 18s with effect from 1st January 2021 (proposed to be £9.05 from 1st January 2022). The youth rate, for those under 18 had increased from £8.05 to £8.25/hour (proposed to be £8.60 from 1st Jan). The comparable accommodation offset for accommodation only was increased from £84/week to £87/week.

⁹ 2019 Earnings survey P.2 <https://www.gov.im/media/1369003/2020-02-04-earnings-survey-2019-report.pdf>

2020 Earnings Survey P.2 <https://www.gov.im/media/1372915/2021-03-10-earnings-survey-2020-report.pdf>

¹⁰ House of Keys Hansard 543 K138 Item 1.4 available here:

<https://www.tynwald.org.im/business/hansard/20002020/k201208.pdf#page=13>

¹¹ Last years' figures taken from tables 2, and 9 of the 2019 Earnings Survey available here:

<https://www.gov.im/media/1369003/2020-02-04-earnings-survey-2019-report.pdf>

¹² Latest figures taken from Table 9 of the 2020 Earnings Survey available here:

<https://www.gov.im/media/1372915/2021-03-10-earnings-survey-2020-report.pdf>

¹³ Taken from the Historic Inflation Data Report August 2021 available here:

<https://www.gov.im/media/1371823/isle-of-man-historic-datasets-august-2021.pdf>

Jersey: the main rate was increased from £8.02 to £8.32 for over 16s with effect from 1st April 2020, this may rise to £9.22/hour from 1st January, subject to State Assembly approval. The comparable accommodation offset for accommodation only was increased from £87.78/week to £91.12/week with effect from 1st April 2020. It was noted that the aim of the Employment Forum in Jersey was tasked to provide for a minimum wage equivalent to 45% of their average earnings rate per hour by 2020.

Ireland: The main adult (20+) rate rose from €9.80/hour to €10.20 and will rise to €10.50/hour on 1st January 2022. For those over 19 it was increased from €8.82 to €9.18 and will rise to €9.45/hour on 1st January 2022; and for those over 18 it rose from €7.84 to €8.16 and will rise to €8.40/hour on 1st January 2022. For those under 18 years of age it rose from €6.86 to €7.14/hour and will rise to €7.35 on 1st January 2022. At the 8th May 2019, the adult hourly rate was equivalent to £8.88/hour using a rate of exchange of (£0.85 €1).

The United Kingdom: the adult rate (payable 23 year olds and older) was increased from £8.72 to £8.91 per hour from 1st April 2020. The rate for 21-22 year olds was increased from £8.20 to £8.36 per hour. The rate for 18-20 year olds was increased from £6.45 to £6.56 per hour. The under 18 rate was increased from £4.55 to £4.62. The apprentice rate was increased from £4.15 to £4.30 per hour. The accommodation offset was £58.52/week. Rates to commence on 1st April 2022 have recently been announced to be £9.50, £9.18, £6.83, £4.81, and £4.81 respectively with an accommodation offset of £60.90.

The UK had previously announced its intention to calculate the National Living Wage at 60% of median earnings, in 2020 this was adjusted to reaching two-thirds of the UK's median earnings by 2024. For comparison, the Island's current single hourly rate (£8.25) equates to 51.3% of our median wage (understood to be £16.08/hour). Two thirds would be £10.72, and, for further comparison, the Island's current living wage is £10.87.

It is widely accepted that the cost of living is also higher on the Island than in the UK. The Committee has noted in the past that, as a "rule of thumb" our pound shop charges £1.20!

(b) Likely effect on employment, inflation, costs and competitiveness

The global Coronavirus pandemic has caused a shortage of products and production just as demand is returning to normal levels. This has increased inflation to rates unseen in recent years. As the Minimum Wage was not reviewed during the pandemic the Minimum Wage cannot have impacted upon the raised inflation levels. A rise in the Minimum Wage now seems reasonable so that workers can recoup some of the "losses" inflated away in the intervening period.

During the crisis joblessness rose to levels unseen since the 1980s with a peak of 3465 people receiving either Job Seekers Allowance, or Manx Earnings Replacement Allowance in May 2020, however by September 2021 MERA had closed as workers returned to work, and the JSA count had fallen back to pre-pandemic levels. The Committee noted the increase in the number of part time jobs being undertaken (referred to above), with concern. The Committee noted that multiple employments had fallen during the pandemic, but had now increased to levels higher than those prior to the first lockdown. The Committee has previously commented that the increasing trend of workers undertaking multiple roles is strongly indicative that there is more part-time, zero-hour, and bank working in the economy, as employers seek to cut costs by the avoidance of the National Insurance secondary threshold. This can have damaging effects upon individual low earning workers (as they may lose entitlement to Social Security, pensions, job security, and financial credibility); these workers can be amongst the most vulnerable people in our society. If these reduced hour employments become untenable, the workers may ultimately have to fall back upon the benefits system (potentially with reduced entitlement). The Committee noted that so far no concrete efforts had been made to mitigate the proliferation of such contracts, and

recommended that additional action should now be taken (further details can be found in the recommendation section).

The Committee noted that inflation was 4.4% in October, and 5% in September, which represents a significant increase on recent years (although this is historically quite low).

The Committee has found it hard to comment on competitiveness this year, due to the fact that so many people could not circulate, and this has particularly affected those sectors which have traditionally paid the Minimum Wage, including Hospitality and Catering for example, many businesses in which were closed for extended periods.

The Committee had noted for several years that any increase in the disposable income of the lowest earners should benefit them personally, and the local economy at a greater rate than increases in disposable income elsewhere in the earnings spectrum. The Committee has noted that whilst the Minimum Wage has been frozen, the personal allowances have also been frozen at £14,250; and any rise in the Minimum Wage ought to be reflected in the lowest earners' tax rates, although perhaps not necessarily through the personal allowance which affects all earners.

(c) The impact on pay, employment and competitiveness in low-paying sectors and small businesses

That the labour market has returned to near normality just seventeen months after peak joblessness is testament to the apparent resilience of the Manx economy at the moment.

The Committee noted that the percentage of workers paid at the Minimum Wage had experienced a downward trend from 2017 – 2020 falling from 5%, 3.4%, 3.1%, to 2.5%¹⁴ annually. This could be interpreted as implying that the market was rising faster than the Minimum Wage, however the Committee fears that the low paying sectors may be losing staff to higher paying sectors, which may be being borne out by current staff shortages in the sectors which tend to require higher staffing levels and usually pay at a lower rate. The Committee received evidence that between June 2019, and June 2021 the low paying sectors had lost 1802 positions which represented a fall of over 11% collectively, whereas in the same period the number of positions in all sectors had fallen by only 1%, indicating that the lower paying sectors were more seriously impacted as a group than the economy generally.

The Committee heard from one Hospitality business which was running on a skeleton staff, in order to maintain profitability. The cause of wider staff shortages is a matter for debate, but the Committee would like to see staffing levels corrected to previous levels and would hope that any rise in the Minimum Wage would not negate this. A drop in standards may cause a reputational decline for the Island more generally.

(d) Effect on different groups of workers

Unusually, this year, no information was received concerning the gender split in low paying sectors; however the Committee understands that approximately twice as many females work in low paid sectors, as males.

It was estimated that approximately 39.66% of Jobseeker's Allowance claimants were seeking work in sectors traditionally deemed to be low paid in September 2021¹⁵. The Committee noted that the global pandemic had seen a major increase followed by a similarly dramatic decline in the number of claims, which are now almost back to 2019 level. The Committee noted that the levels of Long Term Unemployment ("LTU") had almost tripled in the 2 years

¹⁴ Taken from table 10 of the 2020 Earnings Survey available here: <https://www.gov.im/media/1372915/2021-03-10-earnings-survey-2020-report.pdf>

¹⁵ Taken from the September 2020 Labour Market update available here: <https://www.gov.im/media/1374843/labour-market-statistics-september-2021.pdf>

to September 2021. The percentage of LTU claimants over 55 years of age had declined from 42% to 38%, and the percentage of younger LTU claimants had declined from 40% to 33%, whereas the percentage of 45-54 year old LTU claimants had increased from 18% to 29%. This implied that younger less skilled workers were not being priced out of the labour market, but that older less skilled workers may possibly have been. The Committee noted that in October 2019 males accounted for 61%, and females 39% of the LTU claimants, whereas in September 2021 males accounted for 65% and females 35% indicating a slight gender shift.

The Disability Employment Service ("DES") advised that the ability to successfully place a disabled worker had declined during the pandemic. Furthermore a greater number of individuals were now suffering with mental health issues associated with the effects of the pandemic, and this had greatly increased the requirement for DES's services. As previously noted, the Committee remained aware that some disabled workers may struggle to achieve parity in terms of productivity with able-bodied workers; a significant increase in the Minimum Wage may effectively price these workers out of the market. The Committee was also aware that in most cases where a disabled worker is engaged, the employer is aware at the point of recruitment that there may be a productivity issue, but this is a secondary consideration, compared to the social good of the recruitment in question. The Committee was very concerned that as policy makers push for the Minimum Wage to increase to levels of the living wage that placing these workers may become more and more difficult. The Committee noted that the current arrangement for disabled workers was that they could be excused the minimum wage altogether on grounds that the employment was therapeutic, however this model was unlikely to continue working as parity with the living wage was achieved. The suggestion was floated that perhaps instead of the current arrangements and benefit packages, that a productivity percentage could be independently applied to each worker under the scheme in the employment in question, and that worker could be paid that percentage of the living wage, with the difference being made up by Public support. This would encourage both employers and disabled workers.

In terms of part-time workers, the Committee remains of the view that in many cases there remains a causal link between the increase in the number of part time/zero hour positions, and the thresholds at which employers commence making National Insurance contributions. This is set out at (f) below. The Committee noted that efforts were underway to review zero hour contracts and would strongly suggest that addressing this issue should be a priority. The Committee made further recommendations on this topic.

Representation was not received regarding the number of people in employment needing to access the services of the food bank during this review. The Committee has previously been made aware that there was a "*growing pool of the working poor accessing the food bank, and benevolent funds*", and that for the lowest earning families the standard of living was declining, and people were actively earning their poverty. The Committee was informed during its last review that in a 30 day month, 250 parcels, equating to 19,000 meals would be distributed by the food bank on the Island; however in evidence to the Tynwald Select Committee on Poverty it was reported by the Food Bank that during the pandemic, this had increased to 4745 over a 10 month period, equating to 474 per month, or almost double the pre-pandemic position.

(e) The effect on pay structures

Whilst evidence received indicated that pay structures had been impacted by Minimum Wage rises, within individual business, statistical evidence showed that over all, fewer people were being paid at the Minimum Wage.¹⁶

¹⁶ Taken from Table 10 of the 2020 Earnings Survey available here: <https://www.gov.im/media/1372915/2021-03-10-earnings-survey-2020-report.pdf>

LPC research indicated that the impacts of the Minimum Wage were only felt in differentials in the first quarter of the pay spine. The latest Earnings Survey showed, once again, a small dip after the first third, which may echo this finding¹⁷. The Committee accepted that employers' budgets, overall, although composed of a high percentage by payroll, were impacted as strongly by freight (in certain sectors), utilities, and, rent and rates.

There continues to be clear evidence of the proliferation of part-time, zero hour, and bank employment contracts. It should also be noted that whilst the public sector does not pay the minimum wage directly, it did ensure through contracts that temps hired via agencies were paid at almost this level, and Government was likely to be impacted by significant increases in the Minimum Wage.

Again the Committee would stress the need to show the proposed changes as cash figures, and not as a general percentage, which may be taken out of context i.e. as a percentage increase for collective bargaining purposes, or for executive reward programmes, which was not the intention.

(f) The interaction between the minimum wage, tax and benefits system

As noted at (d) above, LTU had increased significantly in the intervening period. In February 2021 the then Treasury Minister, now Chief Minister, Hon. Alfred Cannan MHK, announced that income based Jobseekers Allowance would rise in April 2021 by 4.25%.

The Committee noted that individuals earning the Minimum Wage for full time hours were still subject to Income Tax and National Insurance. The personal allowance for Income Tax was raised to £14,250. This measure did not appear to have cost the Treasury, as tax receipts were not expected to decline, even in spite of the pandemic. The Committee remained concerned that a Minimum Wage earner at £8.25/hour for 40 hours/week was still liable to approximately £291 of Income Tax per annum. An increasing flat rate may prove fairer to the lowest paid, or withdrawing the lowest paid from Income Tax altogether, although there would probably be negative consequences for the tax base.

The Committee noted that when the minimum wage was £7.85/hour that the tax take was £232.96, whereas after a 5% increase to £8.25, and a £250 increase in the personal allowance, the income tax take from the lowest earners had increased by 24.9% to £291. It seems unfair that a 5% wage increase for the very lowest paid can lead to a 24.9% increase in their tax deductions. The Committee would recommend that a fairer way of taxing the lowest earners is investigated.

The Committee noted that the National Insurance Primary Threshold (the "PT": the point at which employees start paying NI) and the Secondary Threshold (the "ST": the point at which employers start paying NI) remained aligned at £138. This means that an employee earning more than the Lower Earnings Limit ("LEL") of £120/week, but less than £138/week gained the benefits of paying National Insurance (pension accrual, contributory benefits etc.) without having to make any contribution. The Committee noted, once again, that National Insurance bands for employers' contributions were such that it often perversely incentivised employers to hire part-time workers, rather than full time workers, in order to minimise employers' National Insurance contributions.

The National Insurance position in the United Kingdom is rather different, and has positives and negatives in comparison with the Manx position. The PT stands at £184/week and the ST stands at £170/week. This means that employees can accrue the benefits of contributing National Insurance on £64 of earnings without making a cash contribution. Furthermore employers can pay their staff up to £169/week without making a contribution to NI.

¹⁷ Taken from Figure 1 of the 2020 Earnings Survey (dip at £550-575) available here: <https://www.gov.im/media/1372915/2021-03-10-earnings-survey-2020-report.pdf>

However there is, in addition a United Kingdom "Employment Allowance" forgiving employers up to £4000 of National Insurance contributions if the employer has an overall NI bill of less than £100,000 per annum. The Committee understands that most employers on the Island have fewer than 5 employees, and therefore, with regard to the lowest paying employers, if this same or equivalent allowance was available on-Island, many of the lowest paying employers might be excused up to half of their NI bill on full time equivalent staffing. This may help cut the overall number of zero-hour and part time contracts.

The National Insurance position in the United Kingdom is also different in that the percentage contribution payable there is also higher. Employees pay 12% over the PT, and employers pay 13.8% over the ST; whereas in the Isle of Man, employees pay 11% and employers 12.8% respectively.

As a comparison of the take home pay at the UK rate applying since 1st April 2021, a similar rate of pay at Manx tax and NI rates, and the present rate of the Minimum Wage on the Island, including the Employer's contribution:

01/04/2021	Hourly Rate	Hours	Weekly Pay	Tax Liability	NI	Worker's Deductions	Employer's NI	Take Home	Difference
UK	£8.91	40	£356.40	£23.20	£20.69	£43.89	£25.72	£312.51	£9.23
Isle of Man	£8.25	40	£330.00	£5.60	£21.12	£26.72	£24.58	£303.28	-£9.23
01/04/2022									
UK	£9.50	40	£380.00	£27.92	£23.52	£51.44	£28.98	£328.56	£6.31
Isle of Man	£8.85	40	£354.00	£8.00	£23.76	£31.76	£27.65	£322.24	-£6.31
01/10/2022									
Isle of Man	£9.10	40	£364.00	£9.00	£24.86	£33.86	£28.93	£330.14	£1.59
2021 IoM Living Wage	£10.87	40	£434.80	£19.65	£32.65	£52.30	£37.99	£382.50	£11.78
2022 UK Living Wage	£11.05	40	£442.00	£40.32	£30.96	£71.28	£37.54	£370.72	-£11.78

Under the Committee's proposed adjustments, the Manx minimum wage earner would end up £1.59/week better off than their UK counterpart with a higher headline rate.

Compliance

The Committee noted that in the year prior to the first lockdown there had been no cases of non-payment of the Minimum Wage reported to the DFE's Inspectorate. Since March 2020 three cases had been investigated, all of which were resolved with a back payment. It is not thought that any of the cases were as a result of malicious underpayment, merely that rates of pay had frozen and the individual had become entitled to a larger amount. The Committee noted that regular inspections had been suspended during the coronavirus outbreak, and staff were temporarily given other duties; however all employment related complaints continued to be investigated in the normal way. The Committee understood that a programme of inspection visits was to be recommenced shortly by the Department.

The Deputy Industrial Relations Officer informed the Committee that there had been few issues reported to the Manx Industrial Relations Service ("MIRS") during 2020/2021, with only 50 out of 10,000 enquiries covering the topic of Minimum Wage. MIRS reported that a significant number of queries concerned issues surrounding apprenticeships and trainees, and also the age at which Minimum Wage became payable (normally 16, but legally the "minimum school leaving age", whereby some workers could legally earn the lowest rate at 15 years of age). MIRS also reported that an increase in the Minimum Wage may assist in alleviating the shortage of workers in the hospitality sector.

Conclusion and Recommendations

Having considered the evidence it was unanimously agreed to recommend that the Accommodation Offset should remain unchanged. All parties remain concerned to discourage the take-up of accommodation as part of the employment package, as upon sudden conclusion of the employment, homelessness may ensue.

Having considered the rapid expansion in zero-hour contracts it was also unanimously agreed that there should be a new "zero-hour contract shift premium" of £1 or 8.33% (4/48^{ths}) whichever is the higher, when calculating the Minimum Wage for workers on zero-hour contracts in the future. The 8.33% or 4/48^{ths} is presently built into most payrolls as the rolled up holiday pay entitlement calculation. This new zero-hour shift premium should be in addition to any holiday entitlement.

Having considered the evidence, and likely impacts it was also unanimously agreed that the Committee recommends the rates should be adjusted as follows:

	Current rate	1st April 2022	1st October 2022
Single Hourly Rate	£8.25	£8.65	£9.10
School leavers - 18	£6.15	£6.45	£6.80
Development Workers	£7.30	£7.65	£8.05

The Committee further recommends that consideration be given to adjusting Employers' National Insurance contributions, or the primary and secondary thresholds, such that the avoidance of payment by employers no longer promotes the use of zero-hour, part-time, and bank contracts except where they are genuinely necessary; and that workers on such contracts have a genuine opportunity to earn entitlement to the full state benefit package.

The Committee further recommends, now that a target of equalling the living wage has become both Tynwald and Government policy, that consideration be given to how the lowest earners are taxed. If the current process continues many of the lowest earners may find themselves in the upper tax bracket. Whilst the Committee has applauded Treasury's efforts to take low earners out of the tax system, when the minimum wage rises to the level proposed this may dramatically reduce the tax base, and place an unacceptable burden on the remainder of income tax payers. The Committee would welcome a new approach which would make this process fairer to all (for example charging a much lower percentage on all earnings up to a certain threshold for all; or charging a lower rate up to a lower maximum threshold which would not apply to higher earners who would continue to be taxed in a similar way to the present).

The Committee was also invited to make a recommendation concerning the age banding. Whilst the Committee saw the inherent unfairness in paying someone one rate on one day, and a higher rate the next, based simply upon age; the Committee noted that there was good reason to continue to do so. Furthermore, there was a dearth of information which would tend to indicate removing the age bands. The Committee considered a "Probationary Rate" for the first year in any employment, at any age, to replace all rates other than the "single hourly rate", but resolved not to recommend this on this occasion due to the lack of evidence supporting this.

Signed:



Ms Anne Marie Weadock
Chairman of the Minimum Wage Committee

Schedule 1

**Written submissions from private individuals
(To be redacted prior to publication)**

[Redacted text block]

Written Submissions from groups and public figures

Andrew Adams, Kinaxis
Chamber of Commerce Visitor Economy Committee
Dave Clarke, Robinson's Fresh Foods
Debbie Halsall, The IoM TUC
Hon. Mr Juan Watterson SHK
Ian Killey, Café proprietor
Julie Crossley, Suntera Global
Lyle Wraxall, Isle of Man Digital Agency
Nick Corlett, Clerk, Port Erin Commissioners
Mark Byrne, ICM
Martin Bullock, Promenade Shirts and Embroidery
Sarah and Kevin Bettridge, Magic carpets
Sefton Group
St Christopher's fellowship
Tim Baggaley, Regency Hotel

Oral Submissions

Disability Employment Service
Treasury Income Tax
Treasury Social Security
Treasury National Insurance
DFE Inspectorate
Manx Industrial Relations Service
Economic Affairs

Schedule 2

Reports considered:

Eurostat Continental Minimum Wages at 17th June 2021
Irish LPC report July 2020
Irish LPC supplementary report Sept 2020
Isle of Man DESC Destinations survey for 16 & 18 year olds, 2020
Isle of Man Earnings Survey 2020
Isle of Man Inflation report April 2021
Isle of Man Inflation report June 2021
Isle of Man Inflation report July 2021
Isle of Man Inflation Report August 2021
Isle of Man Inflation Report September 2021
Isle of Man Inflation Report October 2021
Isle of Man Living Wage report 2021
Isle of Man National Income Accounts 2018
Isle of Man National Income Accounts 2019/2020
Isle of Man Social Attitudes Survey Report 2019
Jersey Employment Forum Recommendation 9th October 2019
Manx Radio News Report concerning the Poverty Committee report acceptance "Our Island Plan: Building a secure, vibrant and sustainable future for our Island GD2021/0085
Treasury report re Income Tax
Treasury report re Social Security
Tynwald Hansard Debate on the Report of the Poverty Committee (Recommendation 7 refers) July 2021
Tynwald Select Committee on Poverty Executive Summary Definitions and Data
Tynwald Select Committee on Poverty Executive Summary Income and Benefits
UK LPC Report 2020
UK LPC Report 2021