



**Isle of Man**  
**Government**

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# Isle of Man Living Wage 2017

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## **Introduction & Foreword**

**To The Hon Stephen Rodan MLC, President of Tynwald, and the Hon Council and Keys in Tynwald assembled:**

The living wage concept captures the idea that there is a minimum income which is necessary to meet basic needs and the cost of providing it.

So an Isle of Man or Manx living wage can be seen as an indicator both of the cost of living in our Island for lower income people and the relative cost of living here compared to other places where a living wage is calculated in the same way for the same group of people.

Moreover, take-up of a voluntary living wage could help not only those in work with lower incomes and thus contribute to a campaign against poverty, but also reduce the payment of certain social security benefits and increase the receipt of taxes and national insurance.

Thus Government committed to “investigate the option to introduce a living wage” as *an Inclusive and Caring Island* action in the Framework Programme for Government 2016-21.

This report results from both that Government commitment, and also from Tynwald’s approval of Lawrie Hooper MHK’s motion in January 2017, which required Government to report to Tynwald by October 2017 having “established” a living wage and with “proposals to introduce a voluntary living wage”.

Establishing a voluntary living wage required work to agree an approach and methodology; and to calculate the Manx Living Wage. This report presents this approach, methodology and the first calculation of a Manx Living Wage.

But the proposal to introduce a voluntary living wage system will need careful consideration as it is likely also to have an impact on government and on non-government employers - particularly in the lower paying sectors of the Manx economy – and perhaps even have an impact on prices and economic activity more generally. Moreover widespread adoption of the Manx Living Wage will not just happen; establishing one requires decisions and action.

Possible impacts of the adoption of a voluntary living wage, and possible next steps to prepare the ground so that the take-up of the voluntary Manx Living Wage is possible, are outlined in the final section of this report.

In closing I would like to thank officers in Economic Affairs Division and to thank colleagues in the recently reformed Manx National Economic Development Forum for their contributions to this investigation.

I commend this report which establishes the first Manx Living Wage and outlines potential impacts and next steps to Tynwald and the wider Manx public.

**The Honourable Chris Thomas MHK  
Minister for Policy and Reform  
25 September 2017**

# 1. Executive Summary

- 1.1 Government committed to “investigate the option to introduce a living wage” as an *Inclusive and Caring Island* action in the Framework Programme for Government 2016-21. This report results from both that Government commitment and from the Tynwald motion in January 2017, which required Government to report by October 2017 having “established” a living wage and with “proposals to introduce a voluntary living wage”.
- 1.2 The concept of a living wage captures both the idea that there is a minimum income which is necessary to meet basic needs and the cost of providing such an income. Thus a Manx living wage can be seen as an indicator both of the cost of living here for lower income people and the relative cost of living here compared to the UK.
- 1.3 Using the standard methodology used in the UK (described in part 2 of this report), the Manx Living Wage 2017 has been calculated as £8.61 per hour (as described in part 3). This compares with £7.50 per hour for the Minimum Wage for those aged 25 and over on the Island and an hourly UK Living Wage (excluding London) of £8.45, and London and Jersey Living Wages of £9.75.
- 1.4 Take-up of a voluntary living wage could help not only those in work with lower incomes and thus contribute to a campaign against poverty, but also reduce the payment of certain social security benefits and increase the receipt of taxes and national insurance. These possible impacts are explored initially in part 4 of this report.
- 1.5 But widespread adoption of the Manx Living Wage will not just happen; establishing one requires decisions and action. Next steps to prepare the ground so that the take-up of the voluntary Manx Living Wage is possible are outlined in the final section of this report.
- 1.6 Next steps include planning for re-calculation of the Manx Living Wage next July and re-publication next October/November, issues around accreditation of Living Wage employment by a non-governmental organisation, and current and future government policy around the treatment of low pay and the reduction of in-work poverty.

## **2. Manx Living Wage: Approach and methodology**

- 2.1 Discussed through centuries, the concept of a living wage captures both the idea that there is a minimum income which is necessary to meet basic needs and the cost of providing such an income.
- 2.2 The living wage is different from the Minimum Wage, although the UK Government now describes its Minimum Wage as the National Living Wage. The Minimum Wage is legally enforceable for all employment, and the hourly wage rate may vary by age and whether or not the individual is in a training scheme. The Living Wage is a voluntary rate of pay which employers can choose to pay.
- 2.3 The purpose of the two wages is also different. For instance the campaign in London seems to have been ignited in 2001 as people relying on one or more Minimum Wage jobs were struggling to make ends meet and found themselves with little time for community or family life. The Living Wage seeks to provide a level of remuneration which allows people to have the opportunities and choices necessary to participate in society as well as to meet basic needs like food, clothes and shelter.
- 2.4 In the last 20 years or so a living wage in the British Isles has been calculated slightly differently in different places at different times; but recently a standardised methodology to calculate a UK wide Minimum Income Standard figure has been specified by the Centre for Research in Social Policy (CRSP), and this has become the basis of the living wage calculation generally. See Resolution Foundation document at <http://www.resolutionfoundation.org/app/uploads/2016/10/Living-wage-calculations.pdf> and the other documents referenced therein for context.
- 2.5 The Living Wage is calculated using Minimum Income Standards for various types of households. These standards have been derived in focus groups which acted as a 'budgeting committee' for different types of households. For example the focus group looking at single parent, two children families would be made up of single parents with two children and this focus group was responsible for determining the basket of goods and services which met the purpose of the Living Wage, i.e. affords them opportunities and choices to take part in society and items in the basket might include internet subscriptions, reasonable family holidays, presents and activities for children etc. In summary a Living Wage is determined as a wage that allows all adults to afford items that society deems that everyone should be able to afford.
- 2.6 The approach and methodology to establish the voluntary Living Wage for the Isle of Man is largely that used by the CRSP, just as Bill Henderson MLC proposed in the January 2017 Tynwald living wage debate. It was decided not to repeat the focus group work that the CRSP undertook to determine the budgets that have been created for each type of family etc., as Economic Affairs officer review deemed each CRSP basket appropriate for Manx use, with the exception of some items where, for instance, additional costs are added, such as the inclusion of additional travel costs for a 1 week holiday, and additional postage costs for some items. See appendices.

- 2.7 The Manx National Economic Development Forum (MNEDF) has been the main channel for consultation with stakeholders in determining the Living Wage approach and methodology. It has representation from business (Chamber of Commerce), the Third Sector (Council of Voluntary Organisations) and the trade unions (Trades Union Council), all of whom have an interest in, or will be affected by, an Isle of Man Living Wage. A methodological paper was provided to the July 2017 meeting of the MNEDF for comment on approach and methodology. The calculation and this report have also been presented to the MNEDF at its September 2017 meeting.
- 2.8 Officers in Economic Affairs have collected Manx prices for each type of household so that the prices of the items reflect those paid by Manx households. Some prices were already collected as part of the monthly inflation data collection exercise but others have been collected specifically for Living Wage calculation. In total 813 prices were collected in July 2017 from a wide range of Island retailers and online where appropriate. Economic Affairs officers are grateful to the retailers who agreed to take part in this exercise.
- 2.9 The Living Wage calculation needed to reflect the cost of living of the different types of households in the Island, and therefore the hourly rate which is calculated is a weighted composite of these 6 different household types. The household types and their relative weighting in the calculation of the overall hourly rate are shown in Appendix I. As part of this calculation, the cost associated with each child is determined by a basket of 150 items, apportioned throughout the age range of children, and where a particular household type includes more than one child, the cost of this basket of 150 goods is multiplied by the number of children i.e. where there are two children, the total cost of the 150 items will be included twice in the calculation of that household's budget. The weights, for both the household type and age allocation of children, have been generated from the 2016 Isle of Man Census.
- 2.10 The Island's population comprises many different household types which would have resulted in household weightings of less than 1% for many types. Therefore in some cases, categories of households represent the total weight of a given classification. Thus the weight for a single parent with one child is the aggregate weight of male and female single parent households, and the couple with three children is the aggregate weight of the number of couples with three or more children.
- 2.11 The methodology for the Isle of Man Living Wage can be summarised as:
- a) Import the household budgets generated by CRSP for each type of household and make minor adjustments for the Isle of Man (for example additional travel costs to visit family in the UK);
  - b) Undertake a price collection exercise for all of the goods and services in the household budgets;
  - c) Calculate the hourly rate required for each household type (based on a 37.5 hour working week); and
  - d) Using the weightings derived from the 2016 census, calculate the single hourly Isle of Man or Manx Living Wage.

### 3. Manx Living Wage: the calculation

3.1 The Isle of Man or Manx Living Wage has been calculated in accordance with the approach and methodology detailed above and is constructed as follows:

1. Hourly wage for each household type:

Household Type	Weekly Cost (£)	Hourly Rate (£)
Single Male	293.68	7.83
Single Female	301.01	8.03
Couple	411.62	5.49
Single parent with one child	645.97	17.23
Couple with one child	723.38	9.65
Couple with two children	889.22	11.86
Couple with three children	1,041.93	13.89

All household types have been calculated on the basis of a 37.5 hour working week, as determined by the CRSP. All adults within the calculation are assumed to be working full time, in line with the UK Living Wage assumption<sup>1</sup>.

2. Weighted contribution of single person households:

	Population Weight	Hourly Rate (£)	Weighted Contribution (£)
Single Male	46.90%	7.83	3.67
Single Female	53.10%	8.03	4.26
<b>Single Person Hourly Rate</b>			<b>7.94</b>

3. Weighted Contribution of all household types:

	Population Weight	Hourly Rate (£)	Weighted Contribution (£)
Single Household	33.12%	7.94	2.63
Couple	32.82%	5.49	1.80
Single parent with one child	5.38%	17.23	0.93
Couple with one child	10.60%	9.65	1.02
Couple with two children	13.63%	11.86	1.62
Couple with three children	4.45%	13.89	0.62
<b>Living Wage</b>			<b>8.61</b>

3.2 The **Isle of Man or Manx Living Wage 2017** has been calculated as **£8.61 per hour**, which compares with £7.50 per hour for the Minimum Wage for those aged 25 and over on the Island. The hourly UK Living Wage (excluding London) is £8.45 and the hourly London Living Wage is £9.75. Jersey's hourly Living Wage is £9.75.

<sup>1</sup> Resolution Foundation, Making the Living Wage: The Resolution Foundation review of the Living Wage, July 2016: <http://www.resolutionfoundation.org/app/uploads/2016/07/Living-Wage-Review.pdf>

- 3.3 This amounts to an annual wage, if working full time for 37.5 hours as the methodology assumes, of £16,795, which compares to £16,478 for the UK Living Wage and £14,625 for the Isle of Man's Minimum Wage for those aged 25 or over. The weekly wage equivalent of the hourly Isle of Man Living Wage with 37.5 hours worked is £322.88, compared to a weekly living wage in the UK of £316.88 and in London of £365.63. Median weekly earnings in the Isle of Man in 2016 are £537.
- 3.4 Detailed information regarding the allocation of spending by household type by category is provided as part of Appendix II, and a comparator with UK household budgets is available in Appendices III and IV.
- 3.5 The main cause of the difference between the UK's Living Wage and the Isle of Man's Living Wage is price difference in many of the categories. See Appendix III for a comparison broken down between the different household types and by category, but direct comparisons for the households with children are more difficult because of the difference in methodology between the Isle of Man and UK in dealing with children.



## **4. Manx Living Wage: Impacts?**

### **Impact on people and society?**

- 4.1 Evidence elsewhere would seem to suggest that if employers here are able to pay the Manx Living Wage there would be clear benefits.
- 4.2 The financial benefit for lower income people is clear. The 2017 Social Attitudes Survey confirmed what the 2012/13 Household Income and Expenditure Survey had shown which is that the lowest income quartile of Island households struggle financially. Moreover surely a Living Wage would help some of the 50% of Manx households earning between £12,500 and £25,000 who told the Social Attitudes surveyors that they feel their financial situation has deteriorated this last year?
- 4.3 Poverty and issues like gender pay gap would also be addressed with higher pay at the lower end of pay scales as a higher proportion of female employees are likely to earn less than the Living Wage, than male employees.
- 4.4 Moreover the overall benefit might be greater as it seems Living Wage adoption might make people feel more valued in the work place and encourage better work-life balance. This should have mental health and other benefits such as being able to spend more time with children. The Living Wage may also help in helping individuals feel they are able to share in the success of their companies and the economy in general.
- 4.5 But the proposal to introduce a voluntary Living Wage will need to be considered carefully, as it is likely also to have an impact on employers - particularly in the lower paying sectors of the Manx economy - and perhaps even have an impact on prices and economic activity.
- 4.6 It also seems likely that Living Wage employment will reduce the payment of certain social security benefits and increase the receipt of taxes and national insurance. For instance Scottish evidence is that low pay is one of the main drivers of in-work poverty, an increasing feature of poverty statistics in recent years. In Scotland it was estimated that in 2013/14, half of working age adults in poverty lived in working households, as did more than half of children in poverty.
- 4.7 So more investigation is probably needed to better understand the impact of the adoption of a voluntary Living Wage but some of the issues are outlined below.

### **Impact on employers?**

- 4.8 Self-evidently if an employer chooses to increase the wage it pays from a rate below the Living Wage to a rate which matches or exceeds it, then there would clearly be a cost implication, as shown in the worked example:

**Worked Example: Cost of increasing salary from Minimum Wage to Living Wage**

This example assumes 37.5 hours per week work and entitlement to paid leave (therefore assumes 52 weeks of work). It shows the increased cost of increasing a wage from Minimum Wage up to the Isle of Man Living Wage, excluding pension impacts.

	<b>Minimum Wage</b>	<b>Living Wage</b>	<b>Weekly Cost Increase</b>
Hourly Rate	£7.50	£8.61	
Hours	37.5	37.5	
Wage/Salary	£281.25	£322.98	£41.73
Employer NI	£20.90	£26.24	£5.34

- 4.9 Therefore if an employer moved to paying the Living Wage from paying the Minimum Wage, there would be an annual cost increase of at least £2,447.48 per employee. The cost increase would be greater if the employee was under 25, where the hourly Minimum Wage is £7.20, £6.85 or £5.70 depending on the age of the employee.
- 4.10 According to the 2016 Isle of Man Earnings Survey, the following proportion of individuals were paid less than the Isle of Man Living Wage in 2016 (excluding overtime):
- Full time: 11% were paid under £8.61 per hour, approximately 2,700 people.
  - Part time: 25% were paid under £8.61 per hour, approximately 1,989 people.
  - No contracted hours: 37% were paid under £8.61 per hour, an estimated 1,033 people.
- 4.11 These people may earn more if their employer chooses to pay the Living Wage. But affordability for the employer might be an issue, and there could also be an impact on recruitment for employers that are unable to pay the higher Living Wage, as people may be more likely to seek employment with those employers that are able to pay the higher rate. This impact would depend upon the extent to which employers choose to advertise that they pay the Manx Living Wage and whether it becomes the expected wage rate by employees.
- 4.12 Concerns around the impact on the local economy were expressed at the MNEDF, with the greatest concern around the financial challenge that may be posed to businesses in some sectors and third sector organisations.
- 4.13 However whilst there would be cost increases for employers who move to the Living Wage, including to those paid at higher salary levels, there has also been research that points towards improvements in business productivity, increased motivation, improved recruitment and retention and reduced absenteeism as a result of business moving to paying the Living Wage.

- 4.14 For instance Cardiff University's Business School<sup>2</sup> undertook a study which looked into the various reasons for employers seeking to become accredited for paying the Living Wage, the benefits of having done so, and also the challenges that it presented. The report found that:
- a) 93% of employers reported that they had gained from becoming accredited;
  - b) The most commonly reported positive changes were in reputational effects, both in relation to being an employer and also more generally, and HR effects such as improved recruitment and retention and an improved standard of applications;
  - c) It was noted in the report that the Living Wage has a broad, but relatively shallow positive effect for businesses, and that whilst there is a business case for achieving the Living Wage, the benefits are rather modest and the effects should be considered benign rather than transformative;
  - d) An increase in the organisation's wage bill was noted as the largest challenge with the Living Wage, with 16% stating it was of major significance to the business; and
  - e) The challenges, whilst present, seemed to be less significant than the positive outcomes which were achieved.
- 4.15 Here there seem to be at least two important fora for the further consideration of the potential impact on employers of adoption of the Living Wage.
- 4.16 One is in a report on the domestic Isle of Man economy which is in preparation at the moment, with some input from MNEDF members. This research focuses primarily on the state of the domestic economy, and particularly the business environment in which businesses trading locally operate. It is aimed in part to identify key differentials between sectors.
- 4.17 This investigation should be helpful to unpick the potential impact in the lower paying and apparently less profitable sectors of the Manx economy, such as retailing, hospitality and care.
- 4.18 The second forum is the Minimum Wage Committee during its periodic review of the Minimum Wage.
- 4.19 The Minister for Economic Development, Mr Skelly, told Tynwald in July this year that he had "undertaken to amend the Committee's terms of reference prior to the next review which will enable the Committee to consider wider evidence prior to submitting their recommendations." He continued, "We should also remember that earlier this year Tynwald agreed that a voluntary living wage should be established and that the Cabinet Office should report to Tynwald by October 2017".

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<sup>2</sup> The Living Wage Employer Experience, Cardiff Business School, Cardiff University, April 2017  
[https://www.cardiff.ac.uk/\\_data/assets/pdf\\_file/0008/722429/The-Living-Wage-Employer-Experience-Report.pdf](https://www.cardiff.ac.uk/_data/assets/pdf_file/0008/722429/The-Living-Wage-Employer-Experience-Report.pdf)

## **Impact on Government?**

- 4.20 Due to payment of the Living Wage being voluntary, it is difficult to estimate the impact on Government as it depends upon the willingness of employers not already paying this rate to move to paying it or at least towards paying it.
- 4.21 However more Living Wage employment should reduce the amount paid in benefits, particularly to the 1,000+ Employed Person's Allowance recipients. There are employees who are paid under the £8.61 Living Wage rate who receive benefits to supplement their incomes. This support, and the payment of benefit, may be reduced, or no longer required, if the employees are paid the Living Wage. This was certainly the finding of a 2012 study by Queen Mary University in London which found that "if all employees on a low wage in London started being paid the living wage it would save Government £823 million a year in welfare payments." Further work will be needed in Social Security Division, Treasury to enumerate this impact more.
- 4.22 There could also be an increase in tax and national insurance receipts for Government if a Living Wage is paid to many people. As noted in the worked example above, moving from the Minimum Wage to the Living Wage might well result in an additional £516 per person in National Insurance receipts (£278 employer and £238 employee receipts) and additional Income Tax receipts of £217 per year, on the basis of a full time worker, with the increased receipts being lower for those who are in part time or no contracted hours employment. If all of the 11% of people in full time employment start who are currently paid under the Living Wage rate start working for a Living Wage, it would seem there would be an increase of £585,900 in Income Tax receipts and £1,393,200 in National Insurance receipts, although it is unlikely to all employers would move to this rate.
- 4.23 But tax and national insurance encouragement might also be appropriate. For instance smaller employers have had their employer National Insurance discounts increased to mitigate the higher costs of the National Living Wage in the UK.
- 4.24 Further investigation of the estimates above, and impact more generally, is certainly needed.

## **5. Manx Living Wage: Next Steps?**

- 5.1 A Living Wage will not just happen; establishing one requires decisions and action. More ground work is needed so that the take-up of a voluntary Living Wage in our Island is possible.

### **Calculation in the future?**

- 5.2 It is relatively unusual for a government to have calculated the Living Wage, as has happened for this first Isle of Man or Manx Living Wage. For instance the UK Living Wages are now calculated annually by the Resolution Foundation, overseen by the Living Wage Commission; and before 2016 the London Living Wage was calculated by the Greater London Authority and the UK rate was calculated by the Centre for Research in Social Policy at Loughborough University.
- 5.3 But the Manx Living Wage calculation will now need to be reviewed and maintained, both to ensure that price changes are reflected and that the items comprising household remain relevant.
- 5.4 Economic Affairs Division currently intends to establish or calculate the living wage each July in coming years, and would review the approach and methodology from time to time. This would enable annual publication of a Manx Living Wage each October or November, in line with the publication in the UK in the first week of November each year, during Living Wage Week.

### **Accreditation of Living Wage employers?**

- 5.5 In the UK and Jersey the non-government Living Wage Foundation accredits employers as being Living Wage Employers, either directly or indirectly through partners. This entitles the employer to use the Living Wage logo as part of their corporate documentation and advertising etc. The commitment in the accreditation extends not only to those directly employed, but also to contractors<sup>3</sup>.
- 5.6 The Living Wage partnership in Jersey is with Caritas, a Catholic care charity, which has arrangements with the UK Living Wage Foundation to have its own "Living Wage Jersey" icon etc.
- 5.7 Another Living Wage partnership was established in Scotland in 2014, the Scottish Living Wage Accreditation Initiative. This initiative awards the Living Wage employer mark to Scottish employers as a symbol of responsible business practice, "Living Wage accreditation celebrates employers that

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<sup>3</sup> This is applicable to anyone who works for 2 or more hours a day, in any day of week, for 8 or more consecutive weeks, on the premise: <https://www.livingwage.org.uk/faq#n1755>

choose to further than the government minimum." This Initiative aims to increase the number of employers in Scotland who are recognised for paying their staff the Living Wage. It is hosted by The Poverty Alliance, works in partnership with the Living Wage Foundation and is funded by the Scottish Government.

- 5.8 The UK has around 3,000 accredited Living Wage Employers. See <https://www.livingwage.org.uk/employers/region>. Campaigns are a part of the Living Wage accreditation process. For instance Caritas Jersey head has written:

*"Caritas Jersey has now finalised legal and administrative arrangements with the Living Wage Foundation in the UK and have begun an extensive campaign asking Jersey employers to become Living Wage Employers as part of our larger campaign to eradicate poverty in Jersey. Over the next few months, our Executive Director, John Scally, will be writing to all Jersey employers pointing out that supporting the Living Wage Campaign is probably the most important thing they can do to help eradicate poverty in our community. Be assured if you are an Employer a letter is on its way to you!"*

- 5.9 It seems necessary that an extra-government organisation should accredit Living Wage employers in our Island, as Chris Robertshaw MHK insisted in the January 2017 Living Wage debate, "then let the market indicate back to Government where it stands on it, and then let Government again take a view at a later date." But who could or should that be? And how will this arrangement be funded?
- 5.10 Apparently the Living Wage Foundation employs nearly 20 staff, most of who are involved in the accreditation process. Living Wage Foundation charges employers to become accredited, based upon the number of employees they have.
- 5.11 It appears possible that the Living Wage Foundation in the UK is open to negotiations on extending the Living Wage logo outside the UK, as the Caritas "licensed promoter" partnership in Jersey seems to demonstrate.
- 5.12 Organisations described as Principal Partners seem important for the Living Wage Foundation and could be important partners here. These include KPMG, Nestle, Nationwide, Aviva, Oxfam, Joseph Rowntree Foundation and Queen Mary University. The KPMG endorsement is:

*"For KPMG paying the Living Wage is simply good sense. You don't always need to start from the economic case in order to understand why it should be part of any forward looking sustainability strategy. Consider the social case and the changes in societal expectations over the last ten years and think about what the future might hold. I look forward to the day when the Living Wage brand is as widely known as*

*the Fairtrade brand - and just as widely respected. It is going to come a lot sooner than you might think."*

## **Government policies?**

- 5.13 The headline performance indicator for the Programme for Government *Inclusive and Caring Island* aim is "to increase median earnings after tax" and, as the Programme for Government Delivery Plan spells out, "if median earnings are increasing, then more people are sharing in the success of the Island's growing economy".
- 5.14 So Isle of Man Government is aiming through making economic growth more inclusive to contribute to increasing "the number of people who say that Government policies/actions are making a positive difference to people's lives", the second *Inclusive and Caring Society* macro indicator.
- 5.15 One government policy which will need to be clarified to achieve this is the relationship between the Minimum Wage and Living Wage rates, especially as Minister Skelly stated in July 2017 Tynwald that, "we certainly intend that the top rate of minimum wage in the Isle of Man will not fall below the UK. However, we note that the UK has a target that by 2020, the national living wage will reach 60% of median earnings and it is expected that the UK will increase the headline rate on a yearly basis until it meets that level ... We certainly intend that the top rate of minimum wage in the Isle of Man will not fall below that of the UK."
- 5.16 Policies regarding at least three government operational matters are likely to be important in how take up of the Living Wage and alignment of the Minimum Wage and Living Wage develops. These are: employment, procurement and commissioning.
- 5.17 Regarding employment, the Government and other public bodies in our Island could choose to become accredited Living Wage employers and encourage private and third sector accreditation.
- 5.18 In addition Government's new Procurement Policy, approved by Tynwald in July 2017, needs to be made operational with a policy in respect of how Living Wage employment and contracting will be handled. For instance in Scotland the Procurement Reform (Scotland) Act 2014 took every opportunity to tackle Living Wage accreditation through procurement and subsequent statutory guidance includes a document entitled addressing *Fair Work Practices* which includes the Living Wage in public contracts.
- 5.19 An extract from the new Isle of Man Government procurement policy is potentially significant, especially as it extends the matter to include commissioning:

*"The Isle of Man Government spends over £200 million each year on goods, works and services. Local spend and social value are important to our community. The purpose of this Policy is to ensure that all Isle of Man Government procurement activity is focussed on the delivery of best value for the public purse whilst ensuring Government's purchasing power is used to spend locally wherever possible. This Policy clearly and unequivocally sets out Government's commitment to consider local economic benefits, social value and environmental and sustainability considerations when making contract award decisions. Our colleagues in Department of Health and Social Care are working on a policy to cover partnership agreements for the delivery of services from the third sector. Arrangements with this sector can be difficult to accommodate following a traditional procurement route."*

- 5.20 Isle of Man Government will also need to consider the Island's price level as a matter of practical public policy, especially as it affects lower income households in this matter. The Living Wage calculation and comparison shows clearly that single person and couple households without children (which are the most heavily weighted households, accounting for 66% of the total weight) pay higher prices in nearly every category in the Isle of Man than those in the UK, in some cases considerably so. This is different from the situation in comparative cost of living surveys undertaken in previous decades.
- 5.21 This price premium seems to correlate with the availability of cheaper discount stores, or supermarkets which provide many other items outside of groceries, as well as with transport costs and economies of scale issues. For example a large majority of clothing and footwear in the UK baskets are sourced from Tesco it seems, an option not available to Manx residents. The same effect also seems to exist regarding household goods and services, which in the UK budgets are significantly sourced from retailers such as Tesco and Ikea directly, without additional freight, postage or transport costs.
- 5.22 However there are two categories where the costs on Island are lower than those paid in the UK. These are housing and transport. The UK methodology exclusively uses social housing costs in the basket and therefore our methodology has also done the same, and it is this part of housing costs which are significantly lower in the Isle of Man compared with the UK. Similarly, transport costs are lower as the UK household budgets include costs relating to train and coach travel, which Island residents do not generally incur, and also the cost of car insurance, which is typically lower in the Island than in the UK.
- 5.23 Relative cost of living investigation and policy development seem necessary and important, even urgent.



5.24 Living Wage employment might require higher productivity. Higher productivity is likely to come from investing in education and the expansion of opportunities through the encouragement of business and high value employment. This policy development corresponds to Programme for Government policies and action.

## Appendix I: Household Type and Children's Goods and Services Weighting

Table One: Household Type Weighting

<b>Household Type</b>	<b>Weight</b>
Single	33.12%
Couple	32.82%
Single parent with one child	5.38%
Couple with one child	10.60%
Couple with two children	13.63%
Couple with three children	4.45%

Table Two: Single Person Household Weighting

<b>Single Person Household Type</b>	<b>Weight</b>
Male	46.90%
Female	53.10%

Table Three: Allocation of goods and services for children

<b>Child Age</b>	<b>Weight</b>	<b>Prices Collected</b>
Under 3	16%	24
3-4	11%	17
5-11	43%	64
12-16	30%	45
	<b>100%</b>	<b>150</b>

The household type weights and allocation of goods and services for children has been allocated on the basis of the 2016 Isle of Man Census Report. The weights have been calculated with reference to an adult being aged 16 to 64, in line with the UK Living Wage calculation.

## Appendix II: Household budgets, by household type and category

Category	Single Male	Single Female	Couple	Single Parent with one child	Couple with one child	Couple with two children	Couple with three children
Food	60.66	65.90	86.77	72.67	94.49	115.46	143.64
Alcohol	4.48	5.58	10.05	5.57	10.27	10.27	10.27
Clothing & Footwear	13.24	11.25	25.11	19.01	34.08	34.08	34.08
Housing	110.26	110.26	116.95	123.95	125.36	143.50	140.57
Household Goods and Services	17.40	17.40	23.97	180.38	186.59	187.02	187.40
Personal Goods and Services	15.35	18.34	27.53	19.52	34.89	34.97	35.08
Transport	17.79	17.79	35.58	49.23	57.71	57.71	57.71
Social and Cultural Participation	54.50	54.50	85.65	50.74	55.09	56.40	58.45
Children				124.91	124.91	249.81	374.72
<b>Total</b>	<b>293.68</b>	<b>301.01</b>	<b>411.62</b>	<b>645.97</b>	<b>723.38</b>	<b>889.22</b>	<b>1,041.93</b>

The weekly cost of children has been calculated at £124.91 per week, which is made up of various goods and services from each of the categories shown above, on the basis of the age distribution of children shown in Appendix I.

### Appendix III: Comparison of household budgets against UK Living Wage budgets

Category	Single Male		Single Female		Couple		Single Parent with one child		Couple with one child		Couple with two children		Couple with three children	
	IOM	UK	IOM	UK	IOM	UK	IOM	UK	IOM	UK	IOM	UK	IOM	UK
Food	60.66	46.65	65.90	41.26	86.77	78.95	72.67	56.85	94.49	82.14	115.46	100.96	143.64	139.74
Alcohol	4.48	4.08	5.58	5.57	10.05	9.44	5.57	4.31	10.27	9.01	10.27	9.01	10.27	9.01
Clothing & Footwear	13.24	6.13	11.25	7.38	25.11	13.51	19.01	22.54	34.08	33.38	34.08	44.05	34.08	59.38
Housing*	110.26	124.68	110.26	124.68	116.95	141.56	123.95	131.25	125.36	138.3	143.50	147.04	140.57	149.35
Household Goods and Services	17.40	14.7	17.40	14.7	23.97	17.96	180.38	248.65	186.59	244.29	187.02	265.68	187.40	271.62
Personal Goods and Services	15.35	11.62	18.34	15.51	27.53	24.78	19.52	26.41	34.89	37.46	34.97	39.09	35.08	50.44
Transport	17.79	26.45	17.79	26.45	35.58	52.89	49.23	55.29	57.71	73.09	57.71	77.31	57.71	90.16
Social and Cultural Participation	54.50	44.43	54.50	44.43	85.65	73.84	50.74	49.15	55.09	60.86	56.40	92.9	58.45	124.79
Children							124.91		124.91		249.81		374.72	
<b>Total</b>	<b>293.68</b>	<b>278.74</b>	<b>301.01</b>	<b>279.98</b>	<b>411.62</b>	<b>412.93</b>	<b>645.97</b>	<b>594.45</b>	<b>723.38</b>	<b>678.53</b>	<b>889.22</b>	<b>776.04</b>	<b>1,041.93</b>	<b>894.49</b>

Caution should be taken when comparing the categories of households with children, as the UK figures include the additional cost of children within each category, whereas under the Isle of Man methodology, with the exception of food, all items relating to children are shown separately under the line 'Children'.

\* Housing costs, for both the UK and Isle of Man Living Wage, include an element for rent which is based on the weekly cost of social housing and not private rental.

**Appendix IV: Comparison of number of items included in Isle of Man household budgets and UK Living Wage budgets**

Category	Single Male		Single Female		Couple		Single Parent with one child		Couple with one child		Couple with two children		Couple with three children	
	IOM	UK	IOM	UK	IOM	UK	IOM	UK	IOM	UK	IOM	UK	IOM	UK
Food	69	69	70	70	75	75	91	91	91	91	103	103	110	112
Alcohol	2	2	2	2	3	3	2	2	4	4	4	4	4	4
Clothing & Footwear	31	31	34	34	65	65	36	60	67	91	67	133	67	178
Housing	6	6	6	6	6	6	6	6	6	6	6	6	6	6
Household Goods and Services	131	132	131	132	126	127	170	196	175	201	181	238	182	263
Personal Goods and Services	31	31	38	38	42	43	43	70	57	84	59	109	60	145
Transport	9	10	9	10	10	11	10	10	11	11	11	17	11	23
Social and Cultural Participation	16	15	16	15	14	13	17	22	18	23	19	38	20	56
Children	-	-	-	-	-	-	150		150		300		450	
<b>Total</b>	<b>295</b>	<b>296</b>	<b>306</b>	<b>307</b>	<b>341</b>	<b>343</b>	<b>525</b>	<b>457</b>	<b>579</b>	<b>511</b>	<b>750</b>	<b>648</b>	<b>910</b>	<b>787</b>

Caution should be taken when comparing the categories of households with children, as the UK figures include the additional cost of children within each category, whereas under the Isle of Man methodology, with the exception of food, all items relating to children are shown separately under the line 'Children'.



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