# Contents

Executive Summary........................................................................................................... 2
Context.............................................................................................................................. 3
Index of Business Confidence............................................................................................ 4
Manufacturing Sector ....................................................................................................... 6
  Manufacturing Sector: Current Indicators..................................................................... 6
  Manufacturing Sector: Future Indicators.................................................................... 9
  Manufacturing Sector: Employment Indicators......................................................... 10
Services Sector ................................................................................................................ 12
  Services Sector: Current Indicators.......................................................................... 12
  Services Sector: Future Indicators........................................................................... 13
  Services Sector: Employment Indicators.................................................................. 14
Retail and Wholesale Sector ............................................................................................ 16
  Retail and Wholesale: Current Indicators................................................................. 16
  Retail and Wholesale: Future indicators................................................................. 17
  Retail and Wholesale: Employment indicators....................................................... 19
Construction ..................................................................................................................... 20
  Construction Sector: Current Indicators................................................................. 20
  Construction Sector: Future Indicators................................................................. 22
  Construction Sector: Employment Indicators....................................................... 23
Financial Services ............................................................................................................ 24
  Financial Services: Current Indicators................................................................. 24
  Financial Services: Future Indicators................................................................... 27
  Financial Services: Employment Indicators....................................................... 29
Satisfaction......................................................................................................................... 30
Flexible Working .............................................................................................................. 35
Living Wage ...................................................................................................................... 37
Cyber Risk and Cybercrime ............................................................................................. 38
Qualitative Data ................................................................................................................ 40
Appendix 1: Methodology ............................................................................................... 41
Appendix 2: 2017 Questionnaire ...................................................................................... 43
Executive Summary

The Isle of Man 2017 Business Confidence Index overall score is 115.39, which indicates a general business environment of optimism and the anticipation of growth.

- The most confident sector is Financial Services (Index=127.25) followed by Retail/Wholesale (Index=122.98), while the least confident sector at this time is Construction (Index=-102.40)

- Employers across all sectors anticipate an increase in employment

- Employers across all sectors are, on average, more optimistic about business growth over the next six months as compared to growth observed over the previous six months

- The majority of businesses (58.2%) indicate that they already pay all employees at or above the proposed Isle of Man Living Wage

- The majority of businesses (70.7%) offer at least one form of flexible working arrangement to at least some of their employees

- Employers on average are satisfied with the quality of business-adjacent services available on the Isle of Man, but tend to be less satisfied with the cost of services

- One in four employers is satisfied with the current work permit system

- Nearly three-quarters (71.3%) of employers feel that it is easy to do business on the Isle of Man
Context

The IOM Business Confidence Survey is a survey of local employers, designed to gauge business activity, optimism, planning, staffing and investment for all sectors of the economy.

Business surveys provide essential information for economic monitoring, short-term forecasting and economic research. Business confidence surveys are widely used to detect turning points in the economic cycle. The IOM Business Confidence Survey is designed to complement official economic statistics, which are often available on delayed cycles.

The IOM Business Confidence Survey is designed to reflect the European Harmonized Consumer and Business Survey, which has been used across the EU, EA and UK since 2007.

In successive years, the survey will compile indices of employers’ high-level assessments of business activity, new business, capacity utilisation, product prices, turnover, employment, and business optimism. Broader topics covered in the questionnaire include the quality and cost of various business-adjacent services, regulation, and the ease of doing business on the Isle of Man.

In addition, the 2017 Business Confidence Survey asked employers’ perspective on:

- the skills gap
- the living wage
- cybersecurity
- the work permit system
- flexible working arrangements
Index of Business Confidence

The Isle of Man Business Confidence Index is constructed as follows:

- Calculate the difference between the percentage of positive and negative responses to questions regarding current and future sales and employment requirements,
- Convert results to an index measure with a median of 100,
- Combine the weighted index of responses from each sector to obtain a composite index.

The results of the Business Confidence Index are interpreted as follows:

- Employer optimism regarding economic growth if Index scores are greater than 100
- Employer neutrality if Index scores are at 100
- Employer pessimism regarding economic growth if Index scores are less than 100.

The higher the value of the Index, the stronger is the sentiment for growth. The maximum possible value of Index scores is 200 (all respondents anticipate increase) and the minimum possible value is -200 (all respondents anticipate decrease).

The Index scores fall into four categories for each sector:

- Current indicators, which are measures of current business activity and/or performance in reference to the previous six months
- Future indicators, which are measures of anticipated changes in activity and/or performance over the next six months
- Overall indicators, which describe total optimism for each sector as well as for the IOM economy as a whole
- Employment indicators, which have both a current and a future dimension, and which are computed separately from the indicators described above.

**Table 1. Isle of Man 2017 Business Confidence Index Scores**

<table>
<thead>
<tr>
<th>Sectors</th>
<th>Current</th>
<th>Future</th>
<th>Total</th>
<th>Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Sectors</td>
<td>110.15</td>
<td>121.79</td>
<td>115.39</td>
<td>114.13</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>106.68</td>
<td>118.23</td>
<td>111.01</td>
<td>116.45</td>
</tr>
<tr>
<td>Services</td>
<td>117.30</td>
<td>118.50</td>
<td>118.10</td>
<td>113.45</td>
</tr>
<tr>
<td>Retail/Wholesale</td>
<td>113.35</td>
<td>129.40</td>
<td>122.98</td>
<td>107.95</td>
</tr>
<tr>
<td>Construction</td>
<td>-107.70</td>
<td>108.20</td>
<td>-102.40</td>
<td>110.30</td>
</tr>
<tr>
<td>Financial Services</td>
<td>121.12</td>
<td>134.62</td>
<td>127.25</td>
<td>122.50</td>
</tr>
</tbody>
</table>
As indicated in Table 1 above, the majority of sectors of the Isle of Man economy are currently optimistic; the current exception is the Construction sector, although it must be pointed out that employers in Construction indicate optimism for the near future, particularly in terms of employment. Please see Appendix 1 for a discussion of the weighting formula applied to the Index scores.

The 2017 Business Confidence Survey establishes a baseline of index measures for employer optimism and employment intentions. In future iterations of the survey, a time series of measures will be built that will serve to track changes in business confidence on an annual basis. Consequently, future reports in this series will present data in a different format from the presentation used in this report.

NOTE ON ECONOMIC SECTORS

The Isle of Man has twenty-four economic sectors, as identified by the National Income accounts. A number of these sectors are disproportionately small, with fewer than five employers and fewer than twenty employees; while these sectors were not systematically excluded from the sample, they naturally failed to be selected.¹

The sample was subjected to a two-stage sampling procedure with post-hoc stratification weighting based upon number of employees. Please see Appendix 1.

NOTE ON EMPLOYMENT INDEX

The reference period for the 2017 Business Confidence Study is six months to either side of November 2017. Currently, the Isle of Man is experiencing unusually low levels of unemployment, with a high ratio of vacancies to jobseekers.

The full Employment Index below shows much higher levels of anticipated employment increases, across all sectors, than actual employment increases in the recent past. This imbalance is reflective of the current labour shortage, and it may be assumed that increases to employment over the previous six months may have been higher if more appropriate labour had been available.

Table 2. Isle of Man 2017 Employment Index Scores

<table>
<thead>
<tr>
<th>Employment</th>
<th>Current</th>
<th>Future</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Sectors</td>
<td>105.2</td>
<td>122.9</td>
<td>114.13</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>-113.5</td>
<td>146.4</td>
<td>116.45</td>
</tr>
<tr>
<td>Services</td>
<td>107.0</td>
<td>119.9</td>
<td>113.45</td>
</tr>
<tr>
<td>Retail/Wholesale</td>
<td>110.0</td>
<td>105.9</td>
<td>107.95</td>
</tr>
<tr>
<td>Construction</td>
<td>102.0</td>
<td>118.6</td>
<td>110.30</td>
</tr>
<tr>
<td>Financial Services</td>
<td>121.1</td>
<td>123.9</td>
<td>122.50</td>
</tr>
</tbody>
</table>

¹ Excluded sectors accounted for 1.5% of all employers and included commercial property letting, health service recruitment, hydrocarbons, mining and quarrying, non-IOM property development, non-IOM retail, and the space industry.
Manufacturing Sector

The Manufacturing sector accounts for 15.7% of the Isle of Man economy in terms of employment, and includes:

- Agriculture, Forestry, and Fisheries
- Mining and Quarrying
- General Manufacturing
- Manufacturing (Food and Drink)
- Manufacturing (Engineering)

The Manufacturing sector is optimistic for the near future, and anticipates increased production capacity, significant price increases, and the strongest growth in hiring of all sectors. Manufacturing is currently the sector with the strongest employment ‘pull’, with no employers seeking to reduce employment and nearly half seeking to increase levels of staffing.

However, employers also indicate that the six months previous to the 2017 Business Confidence Survey saw some businesses face a decrease in orders, despite a sector-wide maintenance or increase of production. One in three manufacturers feel that their current order books are not sufficient, although exporting manufacturers widely indicate that export orders are currently normal. One in eight manufacturers report that they are currently oversupplied.

Manufacturing Sector: Current Indicators

Fig. 1 Over the past six months, how has your production developed? (Index=137.8)

<table>
<thead>
<tr>
<th>Remained unchanged</th>
<th>Increased</th>
</tr>
</thead>
<tbody>
<tr>
<td>62.5%</td>
<td>37.5%</td>
</tr>
</tbody>
</table>
Fig. 2 Over the past six months, how have your orders developed? (Index=105.5)

- Decreased: 25.3%
- Remained unchanged: 44.0%
- Increased: 30.8%

Fig. 3 Do you consider your current overall books to be ... (Index=-127.9)

- Not sufficient (below normal): 34.9%
- Sufficient (normal for the season): 58.1%
- More than sufficient (above normal): 7.0%

Fig. 4 Do you consider your current export books to be ... (Index=105.9)

- My business does not export: 49.3%
- Sufficient (normal for the season): 48.4%
- More than sufficient (above normal): 2.2%
**Fig. 5** Do you consider your current stock of finished products to be ...  
(Index=112.1)

![Bar chart showing 87.9% for Adequate (normal for the season) and 12.1% for Too large (above normal).]

**Fig. 6** What main factors are currently limiting your production? (not indexed)

<table>
<thead>
<tr>
<th>Factor</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shortage of labour force</td>
<td>31.3%</td>
</tr>
<tr>
<td>Financial constraints</td>
<td>28.1%</td>
</tr>
<tr>
<td>Insufficient demand</td>
<td>28.1%</td>
</tr>
<tr>
<td>None</td>
<td>25.0%</td>
</tr>
<tr>
<td>Shortage of material/equipment</td>
<td>15.6%</td>
</tr>
</tbody>
</table>
Manufacturing Sector: Future Indicators

**Fig. 7** Considering your current order books and the expected change in demand over the coming months, how do you assess your current production capacity? (Index=-122.6)

![Bar chart showing production capacity assessment](chart1)

- **Not sufficient**: 34.5%
- **Sufficient**: 53.6%
- **More than sufficient**: 11.9%

**Fig. 8** Over the next six months, how do you expect your production to develop? (Index=125.9)

![Bar chart showing production development expectation](chart2)

- **Remain unchanged**: 74.1%
- **Increase**: 25.9%
**Fig. 9** Over the next six months, how do you expect your selling prices to change? (Index=151.4)

![Bar chart showing selling price changes](chart1)

**Manufacturing Sector: Employment Indicators**

**Fig. 10** Over the past six months, how has your business’ total employment changed? (Index=-113.5)

![Bar chart showing employment changes](chart2)
Fig. 11 Over the next six months, what best describes your business’ plans with respect to staffing? (Index=146.4)

- **Employment will be unchanged**: 53.6%
- **More hiring of full-time employees**: 21.1%
- **More hiring of part-time employees**: 25.3%
Services Sector

The Services sector accounts for 42.3% of the Isle of Man economy in terms of employment, and includes:

- Catering and Entertainment
- Charitable and Third Sector Services
- Education
- e-Gaming
- Information and Communications Technology
- Legal and Accountancy Services
- Media and Creative Services
- Medical and Health Services
- Other Professional Services
- Shipping and Aircraft
- Tourist Accommodation
- Transport and Communications
- Utilities

Service sector employers indicate that, in general, the six month period prior to the 2017 Business Confidence Survey saw growth in business activity and turnover, and the increased demand is widely expected to continue in the near future. One in three service sector employers report no constraints or limitations of their current business activity. Service employment has increased slightly, and is also expected to increase over the next six months.

Services Sector: Current Indicators

Fig. 12 Over the past six months, how has your business situation developed? (Index=117.3)
Fig. 13 What main factors are currently limiting your business? (not indexed)

None: 34.8%
Financial constraints: 25.3%
Shortage of labour: 22.6%
Insufficient demand: 22.2%
Other: 10.9%
Shortage of space/equipment: 7.2%

Fig. 14 Over the next six months, how do you expect the demand (turnover) for your company’s services to change? (Index=122.6)

Decrease: 8.7%
Remain unchanged: 60.0%
Increase: 31.3%
Fig. 15 *Over the next six months, how do you expect the prices you charge to change? (Index=114.4)*

![Bar chart showing the expected changes in prices. 79.9% expect no change, 2.8% expect a decrease, and 17.2% expect an increase.]

**Services Sector: Employment Indicators**

Fig. 16 *Over the past six months, how has your business’ total employment changed? (Index=107.0)*

![Bar chart showing the changes in employment. 80.1% remained unchanged, 6.5% decreased, and 13.5% increased.]

Fig. 17 Over the next six months, what best describes your business’ plans with respect to staffing? (Index=119.9)
**Retail and Wholesale Sector**

Retail and Wholesale account for 14.7% of the Isle of Man economy in terms of employment.

Employers in the Retail/Wholesale sector currently indicate some of the highest levels of business confidence and anticipation of growth, second only to Financial Services.

The vast majority of employers report stock holdings at optimum levels, and nine in ten indicate that sales over the past six months have remained unchanged or increased. In the near future, employers anticipate increases in sales and prices, although only 8.2% intend to increase their volume of orders.

To date there has been a general increase in hiring in Retail/Wholesale, although this trend of employment growth is expected to slow slightly.

**Retail and Wholesale: Current Indicators**

**Fig. 18** *In the past six months, how has your business activity (sales) developed? (Index=126.7)*

![Bar chart showing business activity developments over the past six months (Index=126.7)]
Fig. 19 Do you consider the volume of stock you currently hold to be ...
(Index=100.0)

Retail and Wholesale: Future indicators

Fig. 20 Over the next six months, how do you expect your orders placed with suppliers to change? (Index=-104.0)
**Fig. 21** *Over the next six months, how do you expect your business activity (sales) to change? (Index=126.7)*

<table>
<thead>
<tr>
<th>Change</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decrease</td>
<td>12.2%</td>
</tr>
<tr>
<td>Remain unchanged</td>
<td>48.9%</td>
</tr>
<tr>
<td>Increase</td>
<td>38.9%</td>
</tr>
</tbody>
</table>

**Fig. 22** *Over the next six months, how do you expect the prices you charge to change? (Index=165.5)*

<table>
<thead>
<tr>
<th>Change</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decrease</td>
<td>4.1%</td>
</tr>
<tr>
<td>Remain unchanged</td>
<td>26.4%</td>
</tr>
<tr>
<td>Increase</td>
<td>69.6%</td>
</tr>
</tbody>
</table>
Retail and Wholesale: Employment indicators

Fig. 23 Over the past six months, how has your business’ total employment changed? (Index=110.0)

Fig. 24 Over the next six months, what best describes your business’ plans with respect to staffing? (Index=105.9)
**Construction**

Construction and Trades/Contractors account for 7.1% of the Isle of Man economy in terms of employment.

Employers in the Construction sector are currently the least optimistic regarding sector growth. The six months prior to the 2017 Business Confidence Survey saw, on balance, a slight decrease in the level of building activity. Employers on average have 3.6 months of work currently accounted for, and greater number of employers report that their current order books are not sufficient.

Shortage of labour is the most widely cited factor limiting current production – and shortage of labour is a generalized economic challenge at this time across all sectors of the Island’s economy, particularly in Construction as well as Manufacturing. However, it should be noted that shortage of demand is also a widely cited limit factor in the Construction sector.

Over the next six months, prices will generally remain unchanged, and despite labour shortages employers report growth in employment both to date and in the near future.

**Construction Sector: Current Indicators**

**Fig. 25** Over the past six months, how has your building activity developed? *(Index=-101.6)*

<table>
<thead>
<tr>
<th></th>
<th>38.0%</th>
<th>25.6%</th>
<th>36.4%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decreased</td>
<td>Remained unchanged</td>
<td>Increased</td>
<td></td>
</tr>
</tbody>
</table>
**Fig. 26** What main factors are currently limiting your building production? (not indexed)

<table>
<thead>
<tr>
<th>Factor</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shortage labour</td>
<td>33.3%</td>
</tr>
<tr>
<td>Insufficient demand</td>
<td>30.6%</td>
</tr>
<tr>
<td>None</td>
<td>25.0%</td>
</tr>
<tr>
<td>Financial constraints</td>
<td>19.4%</td>
</tr>
<tr>
<td>Weather conditions</td>
<td>19.4%</td>
</tr>
<tr>
<td>Other</td>
<td>16.7%</td>
</tr>
<tr>
<td>Shortage material/equipment</td>
<td>5.6%</td>
</tr>
</tbody>
</table>

**Fig. 27** Do you consider your current overall order books to be ... (Index=-113.8)

- Not sufficient: 29.9%
- Sufficient: 53.9%
- More than sufficient: 16.1%
Construction Sector: Future Indicators

**Fig. 28** Assuming normal working hours, approximately how many months’ work is accounted for by the work in hand and the work already contracted for? (not indexed; arithmetic mean=3.6 months)

**Fig. 29** Over the next six months, how do you expect the prices you charge to change? (Index=108.2)
**Construction Sector: Employment Indicators**

**Fig. 30** Over the past six months, how has your business’ total employment changed? (Index=102.0)

- **81.3%** Remained unchanged
- **8.3%** Decreased
- **10.3%** Increased

**Fig. 31** Over the next six months, what best describes your business’ plans with respect to staffing? (Index=118.6)

- **61.8%** Employment will be unchanged
- **5.9%** Employment will be reduced
- **3.9%** Less hiring overall
- **24.2%** More hiring of full-time employees
- **4.2%** More hiring, same mix of full and part-time
Financial Services
Financial Services account for 24.7% of the Isle of Man economy in terms of employment, and includes:

- Banking
- Corporate Service Providers
- Fund Management
- Insurance
- Other Business Services
- Other Financial Services
- Trust/ Company Fiduciary Services

With the exception of recent capital expenditure, which has shown a slight decrease over the past six months, all current and future indicators pertaining to the Financial Services sector return positive Index scores, suggesting a high level of optimism among employers.

While 15.4% of employers report a recent decrease in business activity, virtually none of them expect turnover to decrease in the next six months. Additionally, although operating expenses have recently increased at a slightly higher rate than operating income, employers expect this imbalance to correct itself in the near future. One in four employers reports decreased profitability over the previous six months, but only half as many anticipate further decline in profitability.

Employment growth is robust in this sector, as employers have increased employment on average, and indicate the intention to continue increases their staffing levels.

Financial Services: Current Indicators
Fig. 32 Over the past six months, how has your business developed? (Index=131.9)
**Fig. 33** Over the past six months, how has demand (turnover) for your company’s services changed? (Index=118.9)

- Decreased: 18.1%
- Remained unchanged: 44.9%
- Increased: 37.0%

**Fig. 34** Over the past six months, how has your operating income developed? (Index=135.6)

- Decreased: 18.1%
- Remained unchanged: 28.2%
- Increased: 53.7%

**Fig. 35** Over the past three months, how have your operating expenses developed? (Index=137.9)

- Decreased: 13.8%
- Remained unchanged: 34.4%
- Increased: 51.7%
**Fig. 36** Over the past six months, how has your profitability developed? (Index=108.8)

- Decreased: 21.6%
- Remained unchanged: 48.0%
- Increased: 30.4%

**Fig. 37** Over the past six months, how has your capital expenditure developed? (Index= -106.4)

- Decreased: 20.3%
- Remained unchanged: 65.8%
- Increased: 13.9%
Financial Services: Future Indicators

Fig. 38 Over the next six months, how do you expect the demand (turnover) for your company’s services to change? (Index=132.1)

<table>
<thead>
<tr>
<th></th>
<th>Decrease</th>
<th>Remain unchanged</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>1.1%</td>
<td>65.6%</td>
<td>33.2%</td>
</tr>
</tbody>
</table>

Fig. 39 Over the next six months, how do you expect your operating income to develop? (Index=143.6)

<table>
<thead>
<tr>
<th></th>
<th>Decrease</th>
<th>Remain unchanged</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>5.8%</td>
<td>44.8%</td>
<td>49.4%</td>
</tr>
</tbody>
</table>
**Fig. 40** Over the next six months, how do you expect your operating expenses to develop? (Index=139.4)

- Decrease: 5.1%
- Remain unchanged: 50.3%
- Increase: 44.5%

**Fig. 41** Over the next six months, how do you expect the profitability of your company to develop? (Index=125.3)

- Decrease: 11.9%
- Remain unchanged: 51.0%
- Increase: 37.2%

**Fig. 42** Over the next six months, how do you expect your capital expenditure to develop? (Index=132.7)

- Decrease: 1.1%
- Remain unchanged: 65.0%
- Increase: 33.8%
Financial Services: Employment Indicators

**Fig. 43** Over the past six months, how has your business’ total employment changed? (Index=121.1)

![Bar chart showing the percentage of businesses that have decreased, remained unchanged, or increased their employment over the past six months.](image)

- Decreased: 7.4%
- Remained unchanged: 64.1%
- Increased: 28.5%

**Fig. 44** Over the next six months, what best describes your business’ plans with respect to staffing? (Index=123.9)

![Bar chart showing the percentage of businesses planning to reduce, remain unchanged, or increase employment over the next six months.](image)

- Employment will be reduced: 7.8%
- Less hiring overall: 1.1%
- Employment will be unchanged: 58.2%
- More hiring of full-time employees: 31.7%
- More hiring, same mix of full and part-time: 1.1%
**Satisfaction**

Employers are generally satisfied with the quality of business-adjacent services on the Isle of Man. The Manufacturing sector is significantly more satisfied with the quality of transport than other sectors, Construction is significantly less satisfied with telecommunications, and Financial Services is significantly less satisfied with hotel and accommodations. Sectors do not indicate significantly different opinions regarding the quality of government services.

**Fig. 45 How satisfied would you say you are with the quality of ...**

Employers are generally less satisfied overall with the cost of services than with service quality. The Construction and Financial Services sectors are more dissatisfied with the cost of transport links than other sectors. Manufacturing is considerably more dissatisfied with the cost of telecommunications and the cost of utilities. Employers in Financial Services are almost twice as likely as other employers to express dissatisfaction with the cost of hotels and accommodations.

**Fig. 46 How satisfied would you say you are with the cost of ...**
14.5% of all employers report that they “don’t know” if young workers on the Island are sufficiently skilled, and this group has been excluded from the chart below. Employers in General Services and Financial Services are significantly more confident in the skills of young workers than are employers in Manufacturing, Construction, or Retail/Wholesale.

**Fig. 47** Do you think that young workers on the Island have the necessary skills to enter the workplace?

![Bar chart showing responses to the question about young workers' skills.](image)

16.2% of all employers report that they “don’t know” if the Island’s education system is responsive to the labour market, and this group has been excluded from the chart below. Employers in the Services sector express the highest relative opinion of the Island’s education system, while employers in Manufacturing are most likely to indicate that on-Island education does not respond to labour market needs.

**Fig. 48** Do you think that the education system on the Island is responsive to the needs of the labour market?

![Bar chart showing responses to the question about the education system.](image)
Technical skills gaps in the work force are most commonly indicated in the Manufacturing and Financial Services sectors. Customer service skills gaps are also identified in Financial Services, while employers in Manufacturing are most likely to indicate a gap in leadership skills.

**Fig. 49** *Do you have any skills gaps among the employees currently at your business?*

<table>
<thead>
<tr>
<th>Skills Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>60.8%</td>
</tr>
<tr>
<td>Technical skills</td>
<td>23.0%</td>
</tr>
<tr>
<td>Interpersonal/ customer services skills</td>
<td>18.3%</td>
</tr>
<tr>
<td>Leadership/ management skills</td>
<td>14.6%</td>
</tr>
<tr>
<td>Other skills</td>
<td>9.4%</td>
</tr>
</tbody>
</table>

29.0% of respondents indicated that the current IOM work permit system does not apply to their business. Of the remaining employers who expressed an opinion, the highest level of dissatisfaction with the current work permit system is found among employers in Retail/Wholesale, while employers in the Manufacturing sector are significantly more satisfied than other employer groups.

**Fig. 50** *How satisfied are you with the current IOM work permit system?*

- Very satisfied: 7.1%
- Satisfied: 30.8%
- Dissatisfied: 54.2%
- Very dissatisfied: 8.0%
36.7% employers indicate that the current planning system is not applicable to their business. Of the remaining employers who expressed an opinion, Manufacturing sector employers are the least satisfied with planning, while Retail/Wholesale employers are the most satisfied.

**Fig. 51 How satisfied are you with the current IOM planning system?**

<table>
<thead>
<tr>
<th>Satisfaction Level</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very satisfied</td>
<td>14.2%</td>
</tr>
<tr>
<td>Satisfied</td>
<td>35.8%</td>
</tr>
<tr>
<td>Dissatisfied</td>
<td>49.5%</td>
</tr>
<tr>
<td>Very dissatisfied</td>
<td>0.5%</td>
</tr>
</tbody>
</table>

41.6% of employers indicated that support for innovation and emerging technologies does not affect their business. Of the remainder, employers in the Construction sector are least satisfied with the level of innovation support, and employers in Financial Services are the most satisfied.

**Fig. 52 How satisfied are you with the level of support for innovation and emerging technologies?**

<table>
<thead>
<tr>
<th>Satisfaction Level</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very satisfied</td>
<td>5.0%</td>
</tr>
<tr>
<td>Satisfied</td>
<td>20.2%</td>
</tr>
<tr>
<td>Dissatisfied</td>
<td>70.9%</td>
</tr>
<tr>
<td>Very dissatisfied</td>
<td>3.9%</td>
</tr>
</tbody>
</table>
Between 14% and 15% of businesses, on average, indicate that they “don’t know” how to answer questions about regulation, and these groups have been excluded from the chart below. The Manufacturing sector is most likely to disagree that regulation is fair and proportionate. Employers in the Construction sector are most likely to disagree that the purpose of regulation is clear, and employers in Financial Services are most likely to disagree that regulation compliance is easy, likely a reflection of the extent of regulation applied to that sector.

**Fig. 53 Regulation**

A clear majority of Financial Services employers (81.1%) agree that it is easy to do business on the Isle of Man, while the highest level of disagreement with this statement pertains to employers in Manufacturing.

**Fig. 54 It is easy to do business on the Isle of Man.**
Financial Services and Construction employers are most likely to indicate the willingness to recommend the Isle of Man, while the lowest level of support comes from employers in Retail/Wholesale.

**Fig. 55** *Would you recommend the Isle of Man to others as a good place to do business?*

<table>
<thead>
<tr>
<th>Response</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Don't know</td>
<td>2.8%</td>
</tr>
<tr>
<td>No</td>
<td>5.3%</td>
</tr>
<tr>
<td>Somewhat</td>
<td>41.1%</td>
</tr>
<tr>
<td>Yes</td>
<td>50.9%</td>
</tr>
</tbody>
</table>

**Flexible Working**

The majority of businesses (70.7%) offer at least one form of flexible working arrangement to at least some of their employees. Part-time schedules are common in all sectors with the exception of Construction, wherein only one in five employers offers a part-time schedule option.

The Manufacturing sector makes the greatest use of scheduling options for flexible working, and employers in that sector are most likely to offer flexi-time, staggered hours/shift work, compressed schedules, shift flexibility, and job-sharing. Four in five employers in Financial Services also offer flexi-time.

As may be expected, flexibility of location, i.e. telecommuting, is far more common in Financial Services than any other sector. Phased retirement is not commonly indicated in any sector.
**Fig. 55** What types of flexible work arrangements does your business offer to some or all employees?

- Part-time schedules: 59.3%
- Flexi-time: 58.0%
- Staggered hours/ shift work: 37.5%
- Compressed hours/ shorter work weeks: 27.5%
- Shift flexibility: 24.7%
- Ad hoc telecommuting: 13.6%
- Regular telecommuting: 11.7%
- Job sharing: 9.6%
- Phased retirement: 8.5%

**Fig. 56** If your business does not offer flexible work arrangements to employees, what are the obstacles to using flexible work arrangements?

- Lack of jobs conducive to flexible working: 17.3%
- No expressed interest from employees: 18.5%
- Other: 15.3%
- Resistance from upper management: 0.3%
- Resistance from line managers/ supervisors: 0.0%
Living Wage

Tynwald has recently reviewed the issue of an Isle of Man Living Wage. The Isle of Man Living Wage is currently calculated at £8.61/hour. Employers were asked about a range of possible responses to the Living Wage with respect to their businesses.

Nearly two-thirds of employers (58.2%) indicate that they already pay all staff at or above the level of the IOM Living Wage, which could suggest that the impact of a Living Wage on the economy as a whole may not be significantly disruptive. Employers who indicate that they already pay all employees at or above the Isle of Man Living Wage level cluster in skilled occupations such as Financial and Business Services, ICT and Other Professional Services, and also in Construction and Trades.

As the Living Wage is a voluntary option, 13.1% of employers indicate that they would not choose to adopt the Living Wage. Employers who would choose not to adopt the Living Wage preponderantly belong to the Services sector, primarily Agriculture, Forestry and Fisheries, Catering and Entertainment, and Tourist Accommodation.

Fig. 57 If your business were to choose to become a Living Wage employer, what strategies would you take?

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Already pay all employees at or above the IOM Living Wage</td>
<td>58.2%</td>
</tr>
<tr>
<td>Raise prices</td>
<td>17.9%</td>
</tr>
<tr>
<td>Improve efficiency/ raise productivity</td>
<td>16.5%</td>
</tr>
<tr>
<td>Would not choose to become a Living Wage</td>
<td>13.1%</td>
</tr>
<tr>
<td>Cancel/ scale down plans for investment/…</td>
<td>12.5%</td>
</tr>
<tr>
<td>Take lower profits/ absorb costs</td>
<td>10.2%</td>
</tr>
<tr>
<td>Redundancies/ recruit fewer workers</td>
<td>9.7%</td>
</tr>
<tr>
<td>Reduce hours worked by staff</td>
<td>7.1%</td>
</tr>
<tr>
<td>Reduce rate of basic pay growth</td>
<td>6.5%</td>
</tr>
<tr>
<td>Reduce amount of overtime/ bonuses</td>
<td>6.5%</td>
</tr>
</tbody>
</table>

Cyber Risk and Cybercrime
The Business Confidence 2017 survey found that 5.4% of businesses had been affected by cybercrime in the past year. A significant majority of businesses (91.3%) indicate that they have at least some understanding of cyber risk, although only one in four have a fully developed incident response plan for cyberattack. The low proportion of businesses who have suffered cybercrime have primarily sustained service disruption and information theft; regulatory risks, IP theft, and reputational damage are all rated as low impact areas.

Fig. 58 In the past year, has your business been affected by cybercrime?

<table>
<thead>
<tr>
<th>Response</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not applicable to my business</td>
<td>3.9%</td>
</tr>
<tr>
<td>Don't know</td>
<td>5.7%</td>
</tr>
<tr>
<td>No</td>
<td>85.1%</td>
</tr>
<tr>
<td>Yes</td>
<td>5.4%</td>
</tr>
</tbody>
</table>

Fig. 59 To what extent do you believe your business has an understanding of its exposure to cyber risk?

<table>
<thead>
<tr>
<th>Understanding Level</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>No understanding</td>
<td>8.7%</td>
</tr>
<tr>
<td>Some understanding</td>
<td>60.0%</td>
</tr>
<tr>
<td>Complete understanding</td>
<td>31.3%</td>
</tr>
</tbody>
</table>
**Fig. 60** Does your business have an incident response plan to deal with cyber attacks?

<table>
<thead>
<tr>
<th>Response</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Don’t know</td>
<td>7.7%</td>
</tr>
<tr>
<td>No, we do not have such a plan</td>
<td>36.6%</td>
</tr>
<tr>
<td>No, but we are developing such a plan</td>
<td>23.7%</td>
</tr>
<tr>
<td>Yes, but it has not been implemented</td>
<td>7.0%</td>
</tr>
<tr>
<td>Yes, plan is fully in operation</td>
<td>25.0%</td>
</tr>
</tbody>
</table>

**Fig. 61** If cybercrime has affected your business in the past year, how would you rate the level of impact on the following aspects?*

<table>
<thead>
<tr>
<th>Area of Impact</th>
<th>None</th>
<th>Low</th>
<th>Medium</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Theft or loss of personal identity information</td>
<td>32%</td>
<td>37%</td>
<td>16%</td>
<td>15%</td>
</tr>
<tr>
<td>Service disruption</td>
<td>21%</td>
<td>32%</td>
<td>21%</td>
<td>21%</td>
</tr>
<tr>
<td>Reputational damage</td>
<td>58%</td>
<td>11%</td>
<td>16%</td>
<td>5%</td>
</tr>
<tr>
<td>Regulatory risks</td>
<td>63%</td>
<td>16%</td>
<td>11%</td>
<td></td>
</tr>
<tr>
<td>Legal, investment and/or enforcement costs</td>
<td>47%</td>
<td>11%</td>
<td>16%</td>
<td>16%</td>
</tr>
<tr>
<td>IP theft including data</td>
<td>63%</td>
<td>16%</td>
<td>11%</td>
<td></td>
</tr>
<tr>
<td>Actual financial loss</td>
<td>42%</td>
<td>16%</td>
<td>21%</td>
<td>11%</td>
</tr>
</tbody>
</table>

*missing data = “Not applicable to my business”
Qualitative Data
Employers were asked to identify the greatest advantage, as well as the greatest challenge, of doing business in the Isle of Man.

Fig. 62 What is the greatest advantage of doing business in the Isle of Man?

![Diagram showing advantages]

- Business environment/community: 31.18%
- Quality of life: 24.37%
- Low taxation: 13.98%
- Customers/ local consumer market: 13.62%
- Local skills / service providers: 7.17%
- Access to government: 6.09%
- Other: 2.87%
- No advantage: 0.72%

Fig. 63 What is the greatest challenge of doing business in the Isle of Man?

![Diagram showing challenges]

- Transportation / shipping costs: 29.52%
- Cost of living / doing business: 14.02%
- Other: 14.39%
- International perception: 11.07%
- Restricted consumer market: 10.70%
- Skills/labour shortage, or work permit barriers: 9.96%
- Regulatory environment: 5.54%
- Government policy / cooperation: 4.80%
Appendix 1: Methodology

Sampling and Weighting

Definition of terms: Registry, Sample, Respondents

The total population of businesses was determined from data extracted from Income Tax records for employers. The sampling frame used was the full list of 4118 businesses registered for tax purposes on the Island as of the end of September 2017. Listed information included business name and address, SIC trade classification number and description, and current number of employees. In this report, this list of 4118 businesses will be referred to as “the registry”.

The list was sampled according to a methodology that will be described in greater detail immediately below. The sampling method yielded a group of 495 businesses who were selected for postal invitations to complete the Business Confidence Survey. This group of 495 will be referred to as “the sample”.

The sample yielded 191 respondents who completed the survey either online or through postal submission. This group will be referred to as “the respondents”.

Sampling

<table>
<thead>
<tr>
<th>Total Registry</th>
<th>Total Sample</th>
<th>Total Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>4118</td>
<td>487</td>
<td>191</td>
</tr>
</tbody>
</table>

The sample was structured in a two-stage stratification procedure based upon business size, as determined by number of employees. Large businesses with greater than 50 employees (n=107) were universally included in the sample; these large businesses were deliberately oversampled to account for their relatively higher impact upon the labour market. SMEs of 50 or fewer employees (n=4011) were randomly sampled at a rate of 10% using the non-replacement list sampling method: an online random number generator was used to choose a starting point on the registry list and then draw every nth member of the list until a grand total of 500 was reached. Incorrect registry data, determined by both advance data cleaning and postal returns, invalidated a total of thirteen sampled cases, reducing the final valid sample to 487.

This sample proportion yields a margin of statistical error of +/- 5%, nineteen times out of twenty.

Sampled businesses were sent postal invitations on 5th November 2017, and on 15th November 2017 all businesses who had not yet responded were sent a reminder. The data collection period was 21 days, and the survey was closed on 26th
November. Seven businesses responded through postal submission, and nine invitations were returned.

Response rates: describe the large and the SMEs with different rates, as well as including the total rate

The sample response rate for the 2017 Business Confidence Survey was 39.2%, a very robust rate of return for a sample of this size. Large businesses of greater than 50 employees yielded a sub-sample response rate of 34.9%, while SMEs returned a sub-sample response rate of 40.1%. The Economic Affairs Division would like to thank the Isle of Man press and the Isle of Man Chamber of Commerce in their efforts to increase public awareness of the survey and encourage participation among sampled respondents.

**Weighting**

Once data collection was complete, the sample was weighted according to a post-hoc stratification by quota, determined by number of employees associated with the business and stratified by economic sector.

Each respondent was weighted according to the proportion of employees it represented in relation to the total number of employees in that sector, those totals being derived from business information provided to Income Tax.

The procedure for weighting is outlined in Table 3.

**Table 3. Post-hoc stratification weighting by economic sector**

<table>
<thead>
<tr>
<th>Population</th>
<th>Proportion of Population</th>
<th>Respondents</th>
<th>Proportion of Respondents</th>
<th>Weight, by sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>All IOM employees</td>
<td>Employees in sector as percentage of all IOM employees</td>
<td>All employees represented by respondents</td>
<td>Employees represented by respondents in sector as percentage of all employees represented by respondents</td>
<td>Proportion of Population</td>
</tr>
</tbody>
</table>
Appendix 2: 2017 Questionnaire

1. Company name ____________________
2. How many employees currently work for your business? ____________
3. To what sector does your business belong?
   - Agriculture, Forestry and Fisheries
   - Banking
   - Catering and Entertainment
   - Charitable and Third Sector Services
   - Construction
   - Corporate Service Providers
   - Education
   - E-Gaming
   - Financial and Business Services
   - Information and Communications Technology
   - Insurance
   - Legal and Accountancy Services
   - Manufacturing – Engineering
   - Manufacturing – Food and Drink
   - Manufacturing – General
   - Media and Creative Services
   - Medical and Health Services
   - Mining and Quarrying
   - Other Professional Services
   - Retail
   - Shipping and Aircraft
   - Tourist Accommodation
   - Transport and Communications
   - Utilities
   - Wholesale

All Manufacturing

4. Over the past six months, how has your production developed?
   *Increased / Remained unchanged / Decreased*

5. Over the past six months, how have your orders developed?
   *Increased / Remained unchanged / Decreased*

6. Do you consider your current overall order books to be ... 
   *More than sufficient / Sufficient / Not sufficient*

7. Do you consider your current export books to be ... 
   *More than sufficient / Sufficient / Not sufficient / My business does not export*

8. Do you consider your current stock of finished products to be ... 
   *Too large / Adequate / Too small*

9. What main factors are currently limiting your production? (Select all) 
   *None / Insufficient demand / Shortage of labour force / Shortage of material and/or equipment / Financial constraints / Other factors*
10. Considering your current order books and the expected change in demand over the coming months, how do you assess your current production capacity?
   * More than sufficient / Sufficient / Not sufficient

11. Over the next six months, how do you expect your production to develop?
   * Increase / Remain unchanged / Decrease

12. Over the next six months, how do you expect your selling process to change?
   * Increase / Remain unchanged / Decrease

**Services**

13. Over the past six months, how has your business developed?
   * Improved / Remained unchanged / Deteriorated

14. What main factors are currently limiting your business? (Select all)
   * None / Insufficient demand / Shortage of labour force / Shortage of space and/or equipment / Financial constraints / Other factors

15. Over the next six months, how do you expect the demand (turnover) for your company’s services to change?
   * Increase / Remain unchanged / Decrease

16. Over the next six months, how do you expect the prices you charge to change?
   * Increase / Remain unchanged / Decrease

**Retail/Wholesale**

17. Over the past six months, how has your business activity (sales) developed?
   * Increased / Remained unchanged / Decreased

18. Do you consider the volume of stock you currently hold to be ...
   * Too large / Adequate / Too small

19. Over the next six months, how do you expect your orders placed with suppliers to change?
   * Increase / Remain unchanged / Decrease

20. Over the next six months, how do you expect your business activity (sales) to change?
   * Increase / Remain unchanged / Decrease

21. Over the next six months, how do you expect the prices you charge to change?
   * Increase / Remain unchanged / Decrease

**Construction**

22. Over the past six months, how has your building activity developed?
   * Increased / Remained unchanged / Decreased
23. What main factors are currently limiting your building production? (Select all)
   None / Insufficient demand / Weather conditions / Shortage of labour force /
   Shortage of material and/or equipment / Financial constraints / Other factors

24. Do you consider your current overall books to be ...
   More than sufficient / Sufficient / Not sufficient

25. Assuming normal working hours, approximately how many months’ work is
    accounted for by the work in hand and the work already contracted for?

26. Over the next six months, how do you expect the prices you charge to
    change?
   Increase / Remain unchanged / Decrease

Financial Services

27. Over the past six months, how has your business developed?
   Increased / Remained unchanged / Decreased

28. Over the past six months, how has demand (turnover) for your company’s
    services changed?
   Increased / Remained unchanged / Decreased

29. Over the past six months, how has your operating income developed?
   Increased / Remained unchanged / Decreased

30. Over the past six months, how have your operating expenses developed?
    Increased / Remained unchanged / Decreased

31. Over the past six months, how has your profitability developed?
    Increased / Remained unchanged / Decreased

32. Over the past six months, how has your capital expenditure developed?
    Increased / Remained unchanged / Decreased

33. Over the next six months, how do you expect the demand (turnover) for
    your company’s services to change?
    Increase / Remain unchanged / Decrease

34. Over the next six months, how do you expect your operating income to
    develop?
    Increase / Remain unchanged / Decrease

35. Over the next six months, how do you expect your operating expenses to
    develop?
    Increase / Remain unchanged / Decrease

36. Over the next six months, how do you expect the profitability of your
    company to develop?
    Increase / Remain unchanged / Decrease

37. Over the next six months, how do you expect your capital expenditure to
    develop?
    Increase / Remain unchanged / Decrease
38. Over the past six months, how has your business’ total employment changed?
   Increased / Remained unchanged / Decreased

39. Over the next six months, what best describes your business’ plans with respect to staffing?
   Less hiring overall / More hiring of part-time employees / More hiring of full-time employees / More hiring, same mix of full and part time / Employment will be unchanged / Employment will be reduced

40. What types of flexible work arrangements does your business offer to some or all employees?
   Part-time schedules / Flexi-time / Staggered hour or shift work / Compressed hours or shorter work weeks / Job sharing / Telecommuting on ad hoc basis / Telecommuting on regular basis / Phased retirement / Shift flexibility

41. If your business does not offer flexible work arrangements to employees, what are the obstacles to using flexible work arrangements? (Select all)
   Resistance from upper management / Resistance from line managers or supervisors / No expressed interest from employees / Lack of jobs that are conducive to flexible work arrangements / Other

42. If your business were to choose to become a Living Wage employer, what strategies would you take? (Select all)
   Improve efficiency or raise productivity / Take lower profits or absorb costs / Reduce the amount of overtime or bonuses / Raise prices / Reduce number of employees through redundancies and/or recruiting fewer workers / Reduce hours worked by staff / Reduce the rate of basic pay growth for the rest of the workforce / Cancel or scale down plans for investing in or expanding the business / My business would not choose to become a Living Wage employer / My business already pays all employees at or above the Living Wage level

43. In the past year, has your business been affected by cybercrime?
   Yes / No / Don’t know / Not applicable to my business

44. To what extent do you believe your business has an understanding of its exposure to cyber risk?
   No understanding / Some understanding / Complete understanding

45. Does your business have an incident response plan to deal with cyber attacks?
   Yes, this plan is fully in operation / Yes, but it has not yet been implemented / No, but we are currently developing such a plan / No, we do not have nor do we intend to implement such a plan / Don’t know

46. If cybercrime has affected your business in the past year, how would you rate the level of impact on the following aspects?
   Reputational damage / Actual financial loss / Legal, investment and/or
enforcement costs / Regulatory risks / Intellectual property theft including theft of data / Service disruption / Theft or loss of personal identity information

47. How satisfied would you say you are with the quality of ... 
   Government services / Transport links to and from IOM / Telecommunications services / Utilities services / Hotels and accommodations

48. How satisfied would you say you are with the cost of ... 
   Government services / Transport links to and from IOM / Telecommunications services / Utilities services / Hotels and accommodations

49. Do you think that young workers on the Island have the necessary skills to enter the workplace? 
   Yes / Somewhat / No / Don’t know

50. Do you think that the education system on the Island is responsive to the needs of the labour market? 
   Yes / Somewhat / No / Don’t know

51. Do you have any skills gaps among the employees currently at your business? (Select all) 
   No / Technical skills / Interpersonal or customer service skills / Leadership or management skills / Other skills

52. How satisfied are you with the current IOM work permit system? 
   Very satisfied / Satisfied / Dissatisfied / Very dissatisfied / Not applicable to my business

53. How satisfied are you with the current IOM planning system? 
   Very satisfied / Satisfied / Dissatisfied / Very dissatisfied / Not applicable to my business

54. How satisfied are you with the level of support for innovation and emerging technologies? 
   Very satisfied / Satisfied / Dissatisfied / Very dissatisfied / Not applicable to my business

55. Please indicate your level of agreement with the following statements: 
   Regulation is fair and proportionate / The purpose of regulation is clear / It is easy to comply with regulations

56. It is easy to do business on the Isle of Man. 
   Strongly agree / Agree / Disagree / Strongly disagree

57. Would you recommend the Isle of Man to others as a good place to do business? 
   Yes / Somewhat / No / Don’t know

58. What do you regard as the greatest advantage of doing business on the Isle of Man? 

59. What do you regard as the greatest challenge of doing business on the Isle of Man?
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