



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

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# Isle of Man Living Wage 2019

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# Introduction

The 2019 Living Wage calculation follows on from the initial report in 2017<sup>1</sup> which calculated the first Living Wage on the Island in line with the Year 1 Programme for Government.

The Living Wage is separate to the legally enforceable Minimum Wage, although in the UK has often been confused with the National Living Wage which the UK Government introduced in 2016. Whilst referred to as a living wage, it is simply a renamed version of the Minimum Wage for workers aged over 25, and is not calculated with any reference to the cost of living, and is aimed to be 60% of median UK earnings by 2020.

The Living Wage, as established by the Living Wage Foundation in the UK, is a voluntary rate of pay that is calculated with reference to the cost of living for different household types, created through a consensus approach to afford what society deems as acceptable to afford them opportunities and choices to take part in society.

As part of the original Tynwald motion which involved the calculation of the 2017 Living Wage, there were discussions held with a number of public, private and Third sector parties about whether it would be possible to set up an independent body who could take on the calculation of the Living Wage and undertake accreditation. However as the Minister for Policy and Reform informed Tynwald in October 2018, despite some initial progress, there was no appetite by an external party to take on this obligation.

Due to this, the Isle of Man Government has therefore taken on the responsibility to continue calculating the Living Wage for the Isle of Man for the foreseeable future, with the price collection undertaken in February of each year. The collection has moved from October to February to align with the start of each financial year, given the Isle of Man Government's commitment to the Living Wage, with any pay changes taking effect from April of each year.

Alongside the price collection required to produce the Isle of Man Living Wage, Economic Affairs has also undertaken price collections to calculate the Minimum Income Standards tables for single male, female and couple pensioners. Whilst these do not form part of the Living Wage, as only the budgets for working age individuals are used, these baskets have been presented in Appendix Five of this report.

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<sup>1</sup> Isle of Man Living Wage 2017, October 2017, GD 2017/0042, <https://www.gov.im/media/1358739/isle-of-man-living-wage-2017-report.pdf>

## Methodology

The Isle of Man Living Wage follows the same methodology as the Living Wage Foundation in the UK, and uses the Minimum Income Standards (MIS) for different types of households produced by the Centre for Research in Social Policy (CRSP) to calculate the hourly Living Wage rate. There are some Manx adjustments made to the baskets to ensure the calculation reflects living on the Isle of Man, such as additional travel costs for holidays and postage rates.

The MIS datasets are created through 'budgeting committees', made up of representatives of the household type that the MIS is being created for. For example, the committee looking into a two parent, three child household would be made of parents who meet this demographic requirement. The representatives are purposefully selected from a range of socio-economic backgrounds to ensure that the budgets reflect a range of opinions, and participants come to a consensus on what is considered enough to 'afford them opportunities and choices to take part in society'.

Each basket is reviewed by the CRSP every four years, with the intervening years being price collection updates of the goods and services in the budgets. As with the Living Wage calculation in 2017, it has not been deemed necessary to repeat the focus group work that is undertaken by the CRSP, as each basket has been reviewed by Economic Affairs and deemed appropriate for use in the Manx calculation.

As indicated above, the baskets have some additional cost which have been added to reflect the additional costs of the living on the Island. These costs relate to the additional travel costs for getting to the UK for the one week holiday and the additional postage costs for delivery to the Island where retailers may not extend free delivery offers.

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 731 prices were collected in February 2019 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.

The Living Wage calculation needs 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 and are the same as those used in the 2017 calculation. The costs associated with each child is determined by a basket of 150 items, apportioned throughout the age range of children. 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.

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. For example, 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.

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, with both adults working where applicable); and
- d) Using the weightings derived from the 2016 census, calculate the single hourly Isle of Man or Manx Living Wage.

## **Changes to the baskets of goods and services**

The CRSP undertakes the focus group process to update the basket of goods and services for different household types on a four yearly rotation. Since the 2017 Isle of Man Living Wage calculation the only baskets which have been updated are those for single men, women and couples without children. The baskets for households with children were reviewed in 2016 and therefore are not due to be reviewed until 2020.

The most significant change to the baskets for these household types was a move from using 1 bedroom social housing to using privately rented accommodation. As noted in the 2017 calculation, social housing on the Isle of Man is lower than in the UK and therefore this change to privately rented properties is more noticeable.

There have also a number of additions across a number of categories, however their impact, once the cost has been averaged out over the lifespan of the goods or service is minimal. In total there are 22 new items for single men, 35 for single women and 65 for couples without children. The items are predominately within the Food, Clothing and Household Goods & Services categories.

## Calculation

The calculation of the Isle of Man Living Wage has three key stages after the price collections have taken place.

### Stage 1 – Hourly Wage for each household type

Household Type	Weekly Cost	Hourly Rate
Single Male	364.59	9.72
Single Female	371.70	9.91
Couple	491.52	6.55
Single + 1 child	679.38	18.12
Couple + 1 child	753.53	10.05
Couple + 2 children	923.31	12.31
Couple + 3 children	1,080.64	14.41

### Stage 2 – Weighted contribution of single person households

	Population Weight	Hourly Rate	Weighted Contribution
Single Male	46.90%	9.72	4.56
Single Female	53.10%	9.91	5.26
<b>Single Person Hourly Rate</b>			<b>9.82</b>

### Stage 3 – Household composition weighting

	Population Weight	Hourly Rate	Weighted Contribution
Single Household	33.12%	9.82	3.25
Couple	32.82%	6.55	2.15
Single parent with one child	5.38%	18.12	0.97
Couple parent with one child	10.60%	10.05	1.06
Couple parent with two children	13.63%	12.31	1.68
Couple parent with three children	4.45%	14.41	0.64
<b>Isle of Man Living Wage</b>			<b>9.76</b>

The Isle of Man Living Wage is £9.76 per hour, which based on the average hours of work for a full time employee from the Isle of Man Earnings Survey 2018 of 37.9 hours per week, would result in a weekly, before tax, income of £370 or £19,241 per year.

This compares against an individual on the minimum wage in the Isle of Man earning £15,471 per year, based on the minimum wage of £7.85 per hour for individuals over the age of 18.

The UK Living Wage is currently £9 per hour in the UK and £10.55 for London, which would be equivalent to £17,737 in the UK and £20,792 in London per year.

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

**Table 1 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 2 Single Person Household Weighting**

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

**Table 3 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 Two: Household budgets, by household type and category**

	<b>Single Male</b>	<b>Single Female</b>	<b>Couple</b>	<b>Single Parent with one child</b>	<b>Couple with one child</b>	<b>Couple with two children</b>	<b>Couple with three children</b>
Food	75.87	79.87	108.59	73.17	91.04	110.86	141.47
Alcohol	8.36	8.76	13.83	5.46	9.61	9.62	9.62
Clothing & Footwear	13.38	11.54	26.04	19.91	35.52	35.52	35.52
Housing	164.46	164.46	170.94	122.67	124.04	143.93	141.09
Household Goods and Services	18.35	18.35	26.36	216.43	223.83	224.42	224.80
Personal Goods and Services	16.27	20.81	30.09	20.43	35.30	35.38	35.49
Transport	17.84	17.84	35.68	41.30	49.85	49.85	49.85
Social and Cultural Participation	50.06	50.06	80.00	51.75	56.08	57.20	58.00
Children				128.27	128.27	256.54	384.81
<b>Total</b>	<b>364.59</b>	<b>371.70</b>	<b>491.52</b>	<b>679.38</b>	<b>753.53</b>	<b>923.31</b>	<b>1,080.64</b>

### Appendix Three: 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	75.87	53.02	79.87	45.55	108.59	81.59	73.17	59.71	91.04	86.07	110.86	105.71	141.47	146.15
Alcohol	8.36	6.02	8.76	5.69	13.83	11.72	5.46	4.47	9.61	9.35	9.62	9.35	9.62	9.35
Clothing & Footwear	13.38	8.06	11.54	8.76	26.04	16.83	19.91	22.21	35.52	32.97	35.52	43.08	35.52	59.28
Housing	164.46	129.49	164.46	129.52	170.94	149.00	122.67	132.95	124.04	140.62	143.93	149.45	141.09	151.94
Household Goods and Services	18.35	16.51	18.35	16.52	26.36	21.04	216.43	271.30	223.83	267.45	224.42	241.93	224.80	247.84
Personal Goods and Services	16.27	14.02	20.81	18.45	30.09	28.67	20.43	26.53	35.30	38.93	35.38	41.75	35.49	54.48
Transport	17.84	37.08	17.84	37.08	35.68	74.20	41.30	59.72	49.85	79.31	49.85	83.99	49.85	98.28
Social and Cultural Participation	50.06	41.83	50.06	41.83	80.00	70.15	51.75	51.57	56.08	63.78	57.20	97.35	58.00	131.36
Children							128.27		128.27		256.54		384.81	
<b>Total</b>	<b>364.59</b>	<b>306.03</b>	<b>371.70</b>	<b>303.40</b>	<b>491.52</b>	<b>453.2</b>	<b>679.38</b>	<b>628.47</b>	<b>753.53</b>	<b>718.48</b>	<b>923.31</b>	<b>772.61</b>	<b>1,080.64</b>	<b>898.69</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 private rental for single men, women and couples without children. For those with children, social housing cost is used.

**Appendix Four: 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	90	71	92	68	97	74	91	91	91	91	103	103	110	112
Alcohol	4	4	4	4	5	5	2	2	4	4	4	4	4	4
Clothing & Footwear	31	31	34	44	65	75	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	139	131	139	126	140	170	196	175	201	180	238	182	263
Personal Goods and Services	31	37	38	48	42	59	43	70	57	84	59	109	60	145
Transport	9	4	9	4	10	5	10	10	11	11	11	17	11	23
Social and Cultural Participation	16	11	16	11	14	19	17	22	18	23	19	38	20	56
Children							150		150		300		450	
<b>Total</b>	<b>318</b>	<b>303</b>	<b>330</b>	<b>324</b>	<b>365</b>	<b>383</b>	<b>525</b>	<b>457</b>	<b>579</b>	<b>511</b>	<b>749</b>	<b>648</b>	<b>910</b>	<b>787</b>

**Appendix Five: Single and couple pensioner household budgets, including comparison with the UK**

Category	Male pensioner		Female pensioner		Partnered pensioner	
	IOM	UK	IOM	UK	IOM	UK
Food	71.17	48.95	65.21	43.49	98.33	73.93
Alcohol	8.27	7.75	8.27	7.75	12.02	11.94
Clothing & Footwear	9.98	6.04	16.45	8.97	24.23	14.73
Housing	164.45	113.92	164.45	113.92	214.44	132.04
Household Goods and Services	35.44	22.61	27.22	22.61	35.12	26.35
Personal Goods and Services	20.55	14.61	26.25	18.57	49.58	34.43
Transport	9.50	13.20	9.50	13.20	11.99	16.41
Social and Cultural Participation	44.94	44.81	44.95	44.81	63.74	76.21
<b>Total</b>	<b>364.30</b>	<b>271.89</b>	<b>362.30</b>	<b>273.32</b>	<b>509.45</b>	<b>386.04</b>

Housing costs for all three categories are calculated using private rental costs.



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