



Isle of Man
Government

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Isle of Man

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Introduction

The 2021 Living Wage calculation is the fourth such calculation for the Isle of Man, following on from those performed in 2017, 2019 and 2020. The former of these calculated the first Living Wage for the Island, in line with the Year 1 Programme for Government.

The Living Wage is distinct from the Minimum Wage, although in the UK it is often confused with the National Living Wage that the UK Government introduced in 2016. Whilst referred to as a living wage, the UK's National Living Wage is actually just the Minimum Wage rate for workers aged over 25, and is not calculated with any reference to the cost of living.

By contrast, the Living Wage, as established by the UK's Living Wage Foundation, is a purely voluntary rate of pay that is calculated with reference to the broader cost of living for different household types. It is intended to represent the minimum level of pay necessary to allow people the basic opportunities and choices necessary for them to participate in society.

As part of the original Tynwald motion that ordered the calculation of the 2017 Living Wage, discussions were held with a number of public, private and Third sector parties about whether it would be possible to set up an independent body that would be responsible for calculating the Living Wage. However, as the Minister for Policy and Reform informed Tynwald in October 2018, it was found, despite some initial progress, that there was little appetite among potential external parties to take on this duty.

The Isle of Man Government will therefore continue to take on the responsibility of calculating the Living Wage for the foreseeable future, with the price collection necessary for this being undertaken in February of each year. As a part of the Isle of Man Government's commitment to the Living Wage, the date of price collection moved from October to February to align with the start of each financial year, with any pay changes taking effect from April of each year.

Economic Affairs has also undertaken price collections to calculate the Minimum Income Standards tables for single pensioners and couples of pension age. Although these are not used in calculating the Living Wage, these have been presented for the purpose of comparison in Appendix Five of this report.

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 previous years, 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. The baskets have been updated in line with the regular sequence of updates to MIS work where basket for households without children were reviewed while basket for households with children were rebased¹.

As indicated above, the baskets have some additional goods and services 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 1,025 prices were collected in March 2021 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 414 items, apportioned throughout the age range of children. Where a particular household type includes more than one child, the cost of this basket of 414 goods is multiplied by the number of children i.e. where there are two children, the total cost of the 414 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.

¹ See Appendix six for details

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 present); and
- d) Using the weightings derived from the 2016 census, calculate the single hourly Isle of Man or Manx Living Wage.

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	359.97	9.60
Single Female	385.35	10.28
Couple	486.96	6.49
Single + 1 child	794.64	21.19
Couple + 1 child	865.40	11.54
Couple + 2 children	1,223.02	16.31
Couple + 3 children	1,447.85	19.30
Male pensioner	375.72	5.01
Female pensioner	411.25	5.48
Partnered pensioner	544.27	7.26

Stage 2 – Weighted contribution of single person households

	Population Weight	Hourly Rate	Weighted Contribution
Single Male	46.90%	9.60	4.50
Single Female	53.10%	10.28	5.46
Single Person Hourly Rate			9.96

Stage 3 – Household composition weighting

	Population Weight	Hourly Rate	Weighted Contribution
Single Household	33.12%	9.96	3.30
Couple	32.82%	6.49	2.13
Single parent with one child	5.38%	21.19	1.14
Couple parent with one child	10.60%	11.54	1.22
Couple parent with two children	13.63%	16.31	2.22
Couple parent with three children	4.45%	19.30	0.86
Living Wage			10.87

The Isle of Man Living Wage is £10.87 compared £10.19 per hour in 2020 and £9.76 per hour in 2019, which based on the average hours of work for a full time employee from the Isle of Man Earnings Survey 2020 of 38 hours per week, would result in a weekly, before tax, income of £413.21 or £21,487 per year.

This compares against an individual on the minimum wage in the Isle of Man earning £16,302 per year, based on the minimum wage of £8.25 per hour for individuals over the age of 18.

The UK Living Wage is currently £9.50 per hour in the UK and £10.85 for London, which would be equivalent to £18,772 in the UK and £21,440 in London per year.

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

Table 1 Household Type Weighting

Household Type	Weight
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

Single Person Household Type	Weight
Male	46.90%
Female	53.10%

Table 3 Allocation of goods and services for children

Child Age	Weight	Prices Collected
Under 3	19%	80
3-4	23%	94
5-11	23%	97
12-16	35%	143
	100%	414

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

	Single Male	Single Female	Couple	Single Parent with one child	Couple with one child	Couple with two children	Couple with three children
Food	50.28	55.05	70.25	76.58	95.52	112.97	132.94
Alcohol	8.8	9.6	15.52	5.34	10.37	10.37	10.37
Clothing & Footwear	11.13	15.38	27.43	18.01	28.07	28.21	27.24
Housing	182.90	189.92	191.35	110.34	110.64	124.87	115.77
Household Goods and Services	23.69	23.68	31.53	267.60	273.05	378.89	379.13
Personal Goods and Services	15.93	24.48	35.60	18.50	30.09	29.73	29.81
Transport	20.58	20.58	40.38	38.07	45.76	45.76	45.76
Social and Cultural Participation	46.67	46.67	75.17	50.97	62.66	73.74	79.10
Children				209.24	209.24	418.48	627.72
	359.97	385.35	486.96	793.68	865.40	1,223.02	1,447.85

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	50.28	53.02	55.05	45.55	70.25	81.59	76.58	58.15	95.52	90.28	112.97	112.39	132.94	144.74
Alcohol	8.8	6.02	9.6	5.69	15.25	11.72	5.34	5.36	10.37	10.39	10.37	10.39	10.37	10.39
Clothing & Footwear	11.13	8.06	15.38	8.76	27.43	16.83	18.01	22.48	28.07	32.30	28.21	44.72	27.24	60.01
Housing	182.90	129.49	189.92	129.52	191.35	149.00	110.34	135.55	110.64	143.90	124.87	152.62	115.77	155.06
Household Goods and Services	23.69	16.52	23.68	16.52	31.53	21.04	266.64	289.21	273.05	287.19	378.89	230.06	379.13	262.85
Personal Goods and Services	15.93	14.02	24.48	18.45	35.60	28.67	18.50	30.68	30.09	40.46	29.73	41.10	29.81	52.08
Transport	20.58	37.08	20.58	37.08	40.38	74.20	38.07	66.66	45.76	92.08	45.76	96.31	45.76	126.19
Social and Cultural Participation	46.67	41.83	46.67	41.83	75.17	70.15	50.97	50.07	62.66	61.61	73.74	96.58	79.10	134.22
Children							209.24		209.24		418.48		627.72	
Total	359.97	306.04	358.35	303.39	486.96	453.20	793.68	658.15	865.40	758.21	1,223.02	784.18	1,447.85	946.26

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	71	71	68	68	74	74	87	91	98	91	102	103	110	112
Alcohol	4	4	4	4	5	5	2	2	4	4	4	4	4	4
Clothing & Footwear	31	31	44	44	75	75	45	60	85	91	85	133	81	178
Housing	6	6	6	6	6	6	6	6	6	6	6	6	6	6
Household Goods and Services	139	139	139	139	140	140	194	196	194	201	205	238	206	263
Personal Goods and Services	37	37	48	48	59	59	59	70	79	84	79	109	79	145
Transport	4	4	4	4	5	5	6	10	7	11	7	17	7	23
Social and Cultural Participation	20	11	20	11	20	19	27	22	27	23	30	38	32	56
Children	-	-	-	-	-	-	418	-	418	-	836	-	1,254	-
Total	312	303	333	324	384	383	844	457	918	511	1,354	648	1,779	787

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

Category	Male pensioner				Female pensioner				Partnered pensioner			
	IOM 2021	IOM 2020	IOM 2019	UK	IOM 2021	IOM 2020	IOM 2019	UK	IOM 2021	IOM 2020	IOM 2019	UK
Food	63.23	53.9	71.17	48.95	60.74	53.49	65.21	43.49	83.03	98.77	98.33	73.93
Alcohol	8.98	7.92	8.27	7.75	8.98	7.92	8.27	7.75	15.35	14.85	12.02	11.94
Clothing & Footwear	9.19	7.9	9.98	6.04	14.98	14.22	16.45	8.97	22.69	19.94	24.23	14.73
Housing	183.74	184.27	164.45	113.92	210.11	184.27	164.45	113.92	226.91	207.42	214.44	132.04
Household Goods and Services	29.15	31.74	35.44	22.61	30.23	38.51	27.22	22.61	37.44	31.23	35.12	26.35
Personal Goods and Services	18.57	20.87	20.55	14.31	23.82	26.79	26.25	18.57	42.95	50.1	49.58	34.43
Transport	13.20	13.2	9.5	13.2	13.20	13.2	9.5	13.2	16.41	16.41	11.99	16.41
Social and Cultural Participation	49.65	44.73	44.94	44.81	49.65	40.26	44.95	44.81	99.95	63.53	63.74	76.21
Total	375.72	364.53	364.3	271.58	411.71	378.66	362.3	273.31	544.73	502.25	509.45	386.04

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

Appendix Six: Regular cycle of sequence of updates

	Year 1	Year 2	Year 3	Year 4
Households without children	Review	Inflation uprating	Rebase	Inflation uprating
Households with children	Rebase	Inflation uprating	Review	Inflation uprating

Table above shows how the sequence of updates to MIS work on a regular cycle. The present report, for 2020, covers 'Year 1' in that cycle (**cycle 2020 – 2023**). In this year, the research on the requirements of families with children have been 'rebased' – that is to say, calculated from scratch by asking groups of parents to identify what is needed for a minimum, starting from a blank sheet. For other households – working-age people without children, and pensioners – there has been a more light-touch 'review', asking groups to look at budgets devised by groups in 2018, to check their validity or whether anything needs changing.



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