



Isle of Man
Government
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Isle of Man Living Wage 2022

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INTRODUCTION

The 2022 Isle of Man Living Wage calculation is the fifth time that the Isle of Man Living Wage has been calculated, following on from 2017, 2019, 2020, and 2021. This year's report includes a number of improvements intended to bring the methodology used for the Isle of Man Living Wage closer to that employed in the United Kingdom.

What is the Living Wage?

The Living Wage is intended to reflect the minimum salary necessary for families to afford the basic opportunities, choices, goods, and services required for them to participate fully in society. It should not be confused with the National Living Wage that the UK Government introduced in 2016—this is a rate of minimum wage for workers aged over 25 and is not calculated with any explicit reference to the cost of living.

Who Calculates the Isle of Man Living Wage?

This year's Isle of Man Living Wage was calculated by Statistics Isle of Man, while previous ones were calculated by the now defunct Economic Affairs Division. This is in contrast to the situation in the UK, where the Living Wage is calculated by an independent think tank (the Resolution Foundation) working in conjunction with the Living Wage Foundation and the Centre for Research in Social Policy at Loughborough University.

Discussions concerning the feasibility of establishing an independent body to calculate the Isle of Man Living Wage were held with public, private, and third-sector parties following the original Tynwald motion in January 2017 that ordered the calculation of the 2017 Isle of Man Living Wage. It was however found that there was little appetite among potential external parties to take on this duty. For this reason, responsibility for this was taken on by the Economic Affairs Division and, later, Statistics Isle of Man.

How is the Isle of Man Living Wage Calculated?

The Isle of Man Living Wage is largely calculated in accordance with the methodology followed by the Resolution Foundation in the UK. More precisely:

- The Isle of Man Living Wage is based on the same 'baskets' of goods and services produced by the Centre for Research in Social Policy. These baskets are created in consultation with committees made up of representatives of each type of family represented in the calculation of the Living Wage and are used to determine what level of expenditure that family has to maintain.
- These baskets are then modified slightly to take into account differences between the United Kingdom and the Isle of Man, such as additional travel costs incurred when families go on holiday, or where a retailer used in the original baskets does not have a presence on the Isle of Man.
- The hourly wage necessary for each family to maintain the level of expenditure specified by the corresponding basket is then calculated, taking into account taxes

and benefits. These hourly wages are the living wages for each type of family. The overall Living Wage is calculated by taking the average of each of these, weighted by the percentage of households each family represents.

The calculation makes a number of assumptions shared with the UK Methodology, namely:

- Every adult below pension age works 37.5 hours a week.
- Families without children live in privately rented one-bedroom flats.
- Households with one child live in a two-bedroom home in the social rented sector.
- Households with two, three, or four children live in a three-bedroom home in the social rented sector.

What's New in this Year's Isle of Man Living Wage?

Following an internal review of the Isle of Man Living Wage, Statistics Isle of Man has made the following changes this year in order to bring the Isle of Man Living Wage more closely in-line with that produced by the United Kingdom:

- The calculation now takes into account income tax and national insurance contributions, as well as benefits (namely, Employed Person Allowance and Child Benefit).
- The Isle of Man Living Wage now takes into account a broader range of types of family, adding single parent families with two and three children and two parent families with four children.

During that review, it was also found that several errors had occurred in the calculations of the Isle of Man Living Wage for the years 2017 to 2021. The most significant of these were:

- The level of household expenditure associated with each child erroneously included expenditure for children of all four age groups under consideration. This resulted in what amounts to an over-counting of children and hence a significant overestimation of the salaries that families with children would have needed in order to meet the Isle of Man Living Wage.
- Housing costs were underestimated due to the cost of a week's worth of heating oil being erroneously counted as a year's worth.

These have been rectified in the current report and, as outlined in the second bullet point above, additional improvements made to how families with children are represented in the calculation.

In light of these errors, Statistics Isle of Man has made the data used in the Living Wage available on the Government's Open Data website. Data for all Living Wage reports since 2017 can be found under the 'Society' section at <https://www.gov.im/about-the-government/government/open-data/society/>

External Validation of Results

In recognition of the seriousness of the errors which have occurred in previous instances of the Isle of Man Living Wage, as well as the extent of the improvements made to this year's report, Statistics Isle of Man arranged for an external partner to validate the most recent report and changes made to the methodology used.

The organization employed to do this was the Centre of Social Policy Research at Loughborough University, who are responsible for producing the Minimum Income Standards and calculating weekly minimum household expenditures for the United Kingdom living wage.

With respect to this year's report, the conclusion of this validation exercise states:

"The 2022 calculation of the Living Wage for the Isle of Man appears to have improved significantly on the calculation for 2021, correcting the errors relating to children's costs and to housing costs, and making refinements/adjustments to lifetimes etc. on the basis of goods/services available on the Isle of Man.

The differentiation of different ages of children – and the costs associated with these – is an improvement on the previous approach and in general there appears to have been a far more methodical and systematic approach to the detail behind the calculation."

RESULTS

Isle of Man Living Wage 2022

£11.05

UK Living Wage 2022

£9.92

The Isle of Man Living Wage stands at **£11.05** per hour, compared with a figure of **£9.92** for the United Kingdom. Both figures take into account tax, national insurance contributions, and benefits received—that is to say, the figures reported above represent the gross amount necessary to fulfil the requirements of the Isle of Man Living Wage. Neither figure currently takes pension contributions into account.

The following table provides a detailed account of the different living wages according to various types of family.

Household Type	Weekly Cost	Hourly Rate
Single Male	£372.98	£11.23
Single Female	£382.52	£11.59
Couple	£521.67	£7.37
Single + 1 child	£685.34	£17.74
Single + 2 children	£792.96	£15.21
Single + 3 children	£902.22	£22.34
Couple + 1 child	£773.94	£11.30
Couple + 2 children	£886.87	£13.17
Couple + 3 children	£1,035.13	£15.73
Couple + 4 children	£1,328.19	£21.09
Male pensioner	£274.70	£7.33
Female pensioner	£277.61	£7.40
Partnered pensioner	£388.83	£5.18

For the purposes of the Living Wage calculation, the age groups of the children in the above categories are:

Families with 1 child 0 to 1 years old

Families with 2 children 2 to 4 years old and primary school age

Families with 3 children	2 to 4 years old, primary school age, and secondary school age.
Families with 4 children	0 to 1 years old, 2 to 4 years old, primary school age, and secondary school age.

Comparison with the UK

Some of the main factors contributing to the difference between the Isle of Man and United Kingdom's living wages are:

- The Isle of Man study uses a higher figure for private rent. The United Kingdom study uses a comparatively low figure for private rents, based on lower-quartile rents in the East Midlands of England; this may represent an underestimation for many families in the United Kingdom.
- The cost of holidays are higher for families living on the Isle of Man due to the additional costs involved in getting off the Island.
- For the purposes of the Isle of Man Living Wage, the hourly living wage for families with one child is based on the case where that child is aged 0 to 1 years old. By contrast, the United Kingdom living wage is based on the cases where the child is 3 to 4 years old or of primary school age, which generally involve significantly lower childcare costs.

The tables in Appendix Three can be used to compare the weekly expenditure in the UK and the Isle of Man for different families and across different types of expenditure.

For families without children, the three categories of expenditure for which spending on the Island exceeds that in the United Kingdom by the greatest amount are 'clothing and footwear', 'housing', and 'social and cultural participation'. The second of these is mainly due to the comparatively low figure used for rent in the UK, while much of the difference in the category 'social and cultural participation' is accounted for by the higher costs of holidays and internet use on the island.

The main difference for families with children is that expenditure relating to the 'housing' category are broadly comparable with those in the UK. In its place, expenditure relating to 'household goods and services' shows one of the greatest differences compared to that in the UK. Much of this is the result of higher childcare costs and expense relating to use of mobile telephones.

Comparisons with Previous Years

The figures reported this year are not directly comparable with the results from previous years. Three of the main reasons for this are:

- This year's Isle of Man Living Wage includes a wider variety of different types of families than that of previous years.

- Changes made to baskets during an internal quality review of the Isle of Man Living Wage.
- As mentioned in the Introduction to this report, that review also found that there had been an error in the calculations for previous iterations of the Isle of Man Living Wage. The nature of this error was such that the costs associated with children of all age groups were being counted, and sometimes more than once, when calculating the figures for families with children. This resulted in a significant overestimation of the salaries families with children required to meet the Isle of Man Living Wage.

Rectifying the issue specified in the last bullet point, a re-estimated value for the 2021 Isle of Man Living Wage is **£9.63** per hour.

Appendix 1—Single Person Household and Household Type Weighting

	Population Weight	Hourly Rate	Weighted Contribution
Single Male	54.90%	11.23	6.17
Single Female	45.10%	11.59	5.23
Single Person Hourly Rate			11.39 ¹

	Population Weight
Single Household	35.87%
Couple	30.93%
Single parent with one child	3.86%
Single parent with two children	2.33%
Single parent with three children	1.01%
Couple parent with one child	9.89%
Couple parent with two children	11.24%
Couple parent with three children	3.81%
Couple parent with four children	1.06%

¹ Due to rounding, totals in this and subsequent tables may not precisely equal the sum of its components.

Appendix 2: Household Budgets, by Type of Household and Category of Expenditure

Category of Expenditure	Single Male	Single Female	Couple	Single Parent with one child	Single Parent with two children	Single parent with three children
Food	51.28	49.03	79.91	62.98	91.71	114.25
Alcohol	9.13	10.63	18.00	5.50	5.50	5.50
Clothing & Footwear	11.42	15.55	27.21	31.92	46.55	66.93
Housing	176.95	176.95	178.52	127.48	144.29	144.29
Household Goods and Services	18.03	18.15	27.29	283.98	305.72	316.42
Personal Goods and Services	14.01	20.05	31.96	32.57	32.70	47.15
Transport	37.30	37.30	74.60	66.71	66.71	66.71
Social and Cultural Participation	54.87	54.87	84.17	74.20	99.79	140.99
Total	372.98	382.52	521.67	685.34	792.96	902.22

Category of Expenditure	Couple with one child	Couple with two children	Couple with three children	Couple with four children	Male pensioner	Female pensioner	Pensioner Couple
Food	94.55	116.94	153.28	159.28	51.39	46.13	68.60
Alcohol	10.84	10.40	10.47	10.47	10.01	10.01	14.05
Clothing & Footwear	43.03	59.54	79.67	94.06	9.16	14.12	24.66
Housing	130.45	145.78	145.78	145.78	95.81	95.81	128.44
Household Goods and Services	286.09	305.77	316.80	560.56	31.18	30.05	37.28
Personal Goods and Services	41.79	41.78	56.51	70.82	17.93	22.01	41.31
Transport	92.38	96.61	115.90	120.42	11.92	11.92	13.84
Social and Cultural Participation	74.81	110.04	156.73	166.79	47.31	47.54	60.66
Total	773.94	886.87	1,035.13	1,328.19	274.70	277.61	388.83

Appendix 3: Comparison of Weekly Household Budgets against UK Living Wage Budgets

Category	Single Person		Couple		Single parent, one child		Single parent, two children		Single parent, three children	
	IOM	UK	IOM	UK	IOM	UK	IOM	UK	IOM	UK
Food	50.27	50.99	79.91	83.13	62.98	57.91	91.71	81.43	114.25	109.82
Alcohol	9.80	6.10	18.00	12.20	5.50	5.40	5.50	5.40	5.50	5.40
Clothing & Footwear	13.28	9.46	27.21	18.93	31.92	23.43	46.55	36.31	66.93	52.17
Housing	176.95	135.25	178.52	155.64	127.48	138.14	144.29	147.02	144.29	149.57
Household Goods and Services	18.08	17.72	27.29	22.64	283.98	300.50	305.72	265.70	316.42	267.55
Personal Goods and Services	16.74	17.62	31.96	31.38	32.57	30.93	32.70	31.73	47.15	43.43
Transport	37.30	43.30	74.60	86.65	66.71	70.63	66.71	75.38	66.71	88.29
Social and Cultural Participation	54.87	44.82	84.17	75.16	74.20	52.25	99.79	86.16	140.99	122.46
Total	377.28	325.26	521.67	485.72	685.34	679.20	792.96	729.14	902.22	838.70

Category	Couple, one child		Couple, two children		Couple, three children		Couple, four children		Single pensioner		Pensioner couple	
	IOM	UK	IOM	UK	IOM	UK	IOM	UK	IOM	UK	IOM	UK
Food	94.55	89.90	116.94	111.94	153.28	144.16	159.28	157.34	49.02	47.10	68.60	75.25
Alcohol	10.84	10.47	10.40	10.47	10.47	10.47	10.47	10.47	10.01	8.05	14.05	12.37
Clothing & Footwear	43.03	33.64	59.54	46.52	79.67	62.39	94.06	72.15	11.40	7.91	24.66	15.82
Housing	130.45	146.79	145.78	155.66	145.78	158.16	145.78	159.37	95.81	117.74	128.44	136.52
Household Goods and Services	286.09	298.59	305.77	263.79	316.80	265.64	560.56	536.28	30.67	24.23	37.28	28.32
Personal Goods and Services	41.79	40.88	41.78	41.59	56.51	53.39	70.82	65.72	19.77	18.52	41.31	38.67
Transport	92.38	97.35	96.61	102.10	115.90	135.40	120.42	140.47	11.92	15.42	13.84	19.16
Social and Cultural Participation	74.81	63.81	110.04	97.73	156.73	134.03	166.79	144.16	47.41	48.20	60.66	81.56
Total	773.94	781.44	886.87	829.80	1,035.13	963.62	1,328.19	1,285.97	276.01	287.17	388.83	407.67



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