GD 2025/0089

Minimum Wage Committee

Bing Faill-By-Loo

[redacted]
Secretary to the Minimum Wage Committee.
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2nd September 2025

Hon. Mr T. Johnston, MHK,
Minister,
Department for Enterprise,
St George's Court,
Douglas,
Isle of Man.

Dear Minister,

Re: Minimum Wage Review

Further to your e-mail of 22nd August 2025 the Committee has now briefly had the opportunity to meet to consider the proposed £13.46 rate to become the Single Hourly Rate from 1st April 2026.

The Committee has agreed not to recommend that rate.

In reaching this conclusion the Committee has considered the following:

a) the wider social and economic implications of any minimum wage to be prescribed under section 1(3) of the Act

The Committee felt that a rate of £13.46 would be unsustainable for a cross section of low paying employers. Although there was insufficient time for the Committee to obtain evidence, the Members also wondered whether the £13.46 rate may be detrimental to some social security claimants, and Government should make an assessment before proceeding.

b) its likely effect on —

(i) employment, especially amongst disadvantaged groups;

The Committee remains concerned about the impact of substantial increases in the Minimum Wage upon disabled workers. The Committee is of the view that some disabled workers may find they are priced out of the labour market, and would strongly recommend that Government considers alternative approaches for these groups.

(ii) inflation;

The Committee felt that overall, a rate of £13.46 would be more likely to have a negative effect upon inflation than a positive effect.

(iii) its impact on the costs and competitiveness of businesses;

The Committee felt that if the policy is to move to the same calculation as the UK, that this would not have a negative effect upon competitiveness; however the Committee wondered whether emulating the UK in this regard was the direction the Government desired?

(iv) the costs of industry and public authorities in the Island;

The Committee felt that in the timeframes available it would not be possible to properly assess the costs to industry. The Committee has previously noted that Government does not have any pay scales at the rate of the Minimum Wage, and would recommend that this continues to be monitored.

c) its impact on pay, employment, and competitiveness in low-paying sectors and small businesses;

The Committee noted that the £13.46 rate was calculated from the median wage at a rate of 37.5 hours per week. The Committee has always considered either 37 hours or 40 hours as the historic norm. The Committee's attention was drawn to the Chamber of Commerce's public statement on Tynwald having approved a change in the calculation. The Committee noted that the Chamber was concerned about the rate of the minimum wage being affected by the median earnings in the public sector (which are higher).

The Committee discussed that it might be able to support a rate of 40 hours at 66% of the median earnings (i.e. 66% of £765÷40 hours=£12.62). The Committee might also be able to support a calculation based on 37.5 hours at 66% of the private sector median earnings (i.e. 66% of £706÷37.5 hours =£12.42).

The Chamber of Commerce's representative made an observation that few businesses would be able to support a rise in excess of 5% (i.e. £12.86).

d) its effect on different groups of workers;

The Committee has heard representation in the past from the Care Sector, and remains particularly concerned that care homes may struggle to afford the rises proposed. The human impacts of care home closures can be catastrophic, and the Committee would urge caution in this regard.

e) the effect on pay structures;

The Committee considered that with the erosion of pay differentials the national pay structure has flattened at the bottom end, and that now no particular group of low paid workers were better off than other low paid groups.

f) the interaction between minimum wage rates and the tax and benefit systems.

As noted above the Committee would encourage a review of certain benefit rates to ensure that some people are not penalised.

The Committee was concerned that without changes in the Lower Earnings Limit a worker earning the proposed rate may not be able to work in excess of 10 hours per week without incurring additional costs for their employer (who, the Committee felt, would be bound to respond by cutting hours in a lot of cases).

The Committee continues to be concerned that minimum wage earners are deemed to be upper rate tax payers.

Whilst the Committee feels unable to recommend the proposed rate, the Committee does applaud the change of approach taken in removing the link to the Living Wage, which is becoming increasingly unrealistic for small businesses and low paying employers to achieve. The Committee would recommend further finessing of the policy application to further help business, and support jobs. The Committee would also value the opportunity to partake in the review of the Committee process.

Warm regards,

[redacted]

Ms Anne Marie Weadock, Dip RSA
Chair Minimum Wage Committee.