



8th December 2026

Sector-wide Implications of the Proposed Minimum Wage Increase

Dear Tynwald Members,

In recent months, you will be aware that our members have expressed growing concern regarding the scale and pace of the forthcoming minimum wage increase and the broader employment cost pressures now facing the industry.

The proposed rise to £13.46 represents an almost 10% uplift. Although aimed at supporting lower-paid workers, such a significant step has wider, unavoidable consequences in an industry where labour is a large proportion of the total project cost.

Impact on Graduate Entry Roles and Apprenticeships

Graduates typically enter the industry with limited or no practical experience and require substantial on-the-job training, supervision, and development before they become fully productive. When wage levels for inexperienced graduates begin to narrow towards those of skilled or semi-skilled staff, the value gap becomes harder for employers to justify. This risks reducing graduate recruitment and further weakens the Island's professional skills pipeline, in much the same way that apprenticeship routes are already being affected.

In terms of Apprentices, a notable issue in recent weeks was that an employer may have to release a third-year apprentice who, on turning 19, became too costly to retain. Apprentices are exempt from the minimum wage only if:

- They are under 19; or
- They are 19 and within the first 12 months of their apprenticeship.

Once these conditions no longer apply, the cost burden rises sharply—regardless of the apprentice's skill progression or value to the business.

This inflexibility places training opportunities at risk and weakens the Island's future skills pipeline. A dedicated **trainee wage**, running alongside the minimum wage framework, is urgently required to stabilise apprenticeship provision.

Escalating Wage Expectations Across the Sector

The wage cascade is problematic for construction firms, many of which are already grappling with rising material costs, higher utility and shipping costs, ongoing skills shortages, and the constraints of fixed-price or pre-agreed contracts. For some companies, the combined impact of these pressures risks undermining their financial viability.

Contractual and Economic Consequences

The majority of building contracts are based on fixed price or tightly constrained contract terms. When labour costs rise suddenly and substantially, contractors must absorb the increase. Smaller and medium-sized contractors are particularly exposed. Many operate on lean cost structures and cannot readily absorb additional wage commitments without:



- reducing workforce numbers;
- compromising non-wage spending, including safety or training budgets;
- increasing tender prices; or
- withdrawing from certain types of work altogether.

If key construction capacity is weakened, the Island may face significant disruption to infrastructure delivery, housing development, and essential public works.

Possible Alternatives

1. Reform of the Personal Allowance

Raising the income tax threshold would directly support low-paid workers without creating inflationary wage pressure across the economy.

2. Adoption of a Tiered Wage Structure

A system similar to that used in the UK—incorporating age-related or experience-related tiers—would soften the impact of wage compression and protect apprenticeship pathways. For example:

- 16–17 years (or apprentices): £9.50
- 18–20 years: £11.50
- 20+ years: £12.25

3. Introduction of a Dedicated Trainee Wage

A specific wage category for trainees would allow employers to continue investing in young workers and ensure the Island retains the capacity to train future tradespeople.

We urge Tynwald to develop a long-term wage framework that protects workers while sustaining employer viability and supporting the Island's economic resilience.

Construction Isle of Man remains fully committed to working with the Government to achieve an approach that is fair, evidence-based, and future-proof.

Debbie Reeve: Chief Officer-Construction Isle of Man

Email chiefofficer@constructioniom.im