



# **Review of Consultation Responses**

## **Review of the Minimum Wage Act 2001**

**March 2025**

# Introduction

In 2024 the Department for Enterprise conducted a number of consultations in relation to employment legislation. This consultation in particular sought views on the operation of the Minimum Wage Act 2001.

This work continues the Department's commitment to bring forward a number of employment rights changes during the administration as detailed in Our Island Plan which sets out a vision of a secure, vibrant and sustainable island.



## **Overview**

- This consultation ran from 13 August until the 29 November 2024.
- 41 online responses were received via the consultation hub.
- 16 responses were made on behalf of organisations including local employers.
- 1 offline response was received from a representative organisation that represents over 140 members from varying sectors with HR backgrounds.
- The consultation received a similar number of responses from employers and employees
  - Of the employers that responded, there was a fairly even dispersal of employer size
- At the beginning of the consultation, it was emphasised that this consultation was not seeking feedback on the rate of minimum wage, rather the operation of the Minimum Wage Act 2001. Despite this, a number of responses solely responded in regard to the rate of minimum wage. This consultation also received a number of comments regarding wider workforce views that were not applicable to the scope of the consultation. These comments have not been included in this analysis but have been noted by the Department.

# Context

The Minimum Wage Act was passed in 2001. The original intention behind the Act was to set minimum limits on the lowest pay to workers to act as a 'safety net'.

The Act requires that the Minimum Wage Committee makes recommendations as to the rate of the minimum wage and that the Department for Enterprise and Treasury consult the Committee and consider its recommendations before the minimum rate is specified in Regulations. There is though, no statutory requirement that the recommendations of the Committee be followed.

Regulations under the Act make no provision as to how the Committee should determine what the minimum wage rate should be, other than specifying that the Committee must consider the implications of the rate on a number of areas such as employment, inflation, and the effect of the rate on different groups of workers.

In recent years, the focus on the minimum wage has changed from a rate which provides a safety net to a rate which reflects the cost of living in the Isle of Man, i.e. the Living Wage. Since 2017 the Isle of Man Government has calculated a living wage rate on an annual basis following a resolution of Tynwald that a voluntary living wage should be introduced.



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# Do you have any views as to whether the Minimum Wage Committee should be abolished, and if so, what should replace it?

- Responses showed no distinct direction of response to abolish the Committee or for it to be retained or replaced.
- It was expressed that if the Committee was removed that some mechanism for review and consultation needs to be retained.
- One respondent felt that a low pay commission, similar to that the UK would seem a reasonable replacement
- It was felt that any committee or board must take into account the unique circumstances of life in the Isle of Man and be made up of industry representatives, experts, employers and trade unions who have experience of understanding the impact of such measures
- It was suggested that the committee should be disbanded due to a perceived negative impact that the committee has on small businesses on the Island.
- Queries included would following the UK save Isle of Man Government time and money and what would the purpose be of the committee after alignment to the living wage.
- One respondent questioned if the committee were abolished, what would the implications be for workers' rights weighed against economic realities faced by employers.



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# If the minimum wage reaches parity with the living wage, do you have any views as to what the method of specifying the rate of the minimum wage rate should be?

The following comments were received:

- The calculation should not include expense on alcohol.
- The calculation could follow cost of living/retail price index.
- The calculation could follow inflation rates.
- Rises in the wage could follow those changes received by civil servants.
- The rate should be reviewed annually.
- If following the current living wage, a potential negative may be the lack of an ability to deviate if this would be detrimental to the local economy.

Respondents (including the representative organisation) welcomed more clarity on how this will be determined in the future



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## Do you have any other views on the Minimum Wage Act 2001 and how it should be amended?

- It was suggested that age categories should be reinstated as they are in the UK and reflect need for training of younger staff
- One respondent queried the enforcement level of the Minimum Wage at present and the impact of non-compliance on the local economy and workers
- Suggestion was made that taxation of those lower paid workers should be reviewed rather than increasing rates of pay
- It was felt that any future change should balance employee wellbeing and business sustainability
- Support was evidenced for additional protections for the gig economy.

## Do you have any other comments?

- One respondent felt that increasing the rate so often is an administrative stress on business.
- A number of comments throughout the consultations stated that rates of pay should be determined by employers, without government action.



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# Next Steps

In February 2025, The Department for Enterprise and Treasury announced they will undertake a review of the current process for determining proposals in respect of the Minimum Wage, considering the current statutory requirements prescribed in the Minimum Wage Act 2001, Responses provided to this consultation will play a key part in the review which will be presented to Tynwald in July 2025. These findings will be presented to Tynwald in July 2025.





*\*Approach to assessing consultation responses*

*It is important to note that not every respondent answers each question or provides additional comments.*