

Fact Sheet 2: Employee vs Apprentice: Costs, Value & Context

A clear guide for SMEs considering whether to hire a standard employee or take on an apprentice.

Market-Rate Wage vs Apprentice Rates

When recruiting, employers must pay workers at least the **National Minimum Wage (NMW)** or **National Living Wage (NLW)** — the legal minimums set by the UK government. These rates depend on age and whether someone is an apprentice.

Category	From April 2026 UK Minimum Rate
National Living Wage (21 & over)	£12.71 per hour
NMW (18–20 yr olds)	£10.85 per hour
NMW (16–17 yr olds)	£8.00 per hour
Apprentice rate	£8.00 per hour (under 19 or in first year)

Paid apprentices who are 19+ and have completed their first year must be paid the appropriate age rate (e.g., NMW or NLW) once past their first year. ([GOV.UK](https://www.gov.uk))

Enforcement:

The new Fair Work Agency (FWA) will be introduced in April 2026 to enforce these rates, as reported by BDO UK.

Compliance:

Acas notes that these rates apply to the first pay reference period starting on or after 1 April 2026.

Real Living Wage:

Some employers pay above these statutory minimums by adopting the **Real Living Wage** (higher, voluntary benchmark). In London this is around £14.80/hour — but it is not mandatory only for Accredited employers.

Context for SMEs:

- For a **standard employee**, you'll pay at least the appropriate NMW/NLW rate based on age.
- For an **apprentice**, young workers typically fall into a lower apprentice rate early in the apprenticeship, reducing wage bills initially.



Faster Productivity in Some Roles — What This Means

Some SMEs find that **employees with prior experience or industry exposure** can be productive more quickly than apprentices who are learning on the job.

Examples:

- A **marketing assistant** with previous part-time work may require less supervision.
- An **experienced customer service** worker may need minimal initial training.

With apprentices, there is usually a **learning curve** as they develop skills tailored to your business — which is the point of an apprenticeship.

Value to the SMEs:

- Standard employees may contribute to output faster.
- Apprentices are **learning as they work**, meaning initial productivity may be lower, but long-term value often grows as skills develop.

Higher Upfront Cost — What Employers Should Expect

When we talk about higher upfront cost for a standard employee versus an apprentice, we mean:

Standard Employee Costs May Include:

- Wage at the statutory or market rate
- Employer National Insurance contributions
- Pension contributions (if eligible)
- Holiday pay, sick pay
- Recruitment, onboarding and supervision time

Apprenticeship “Cost Offsets”:

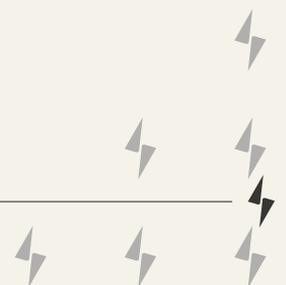
- Government training funds often subsidise training costs (especially for 16–18 year olds or small employers)
- Lower trainee wage in the first year
- Structured training pathways reduce the need for repeated basic training

Apprenticeship “Cost Offsets”:

A standard employee’s wage and associated employment costs can be **higher up-front** because:

- They are paid full wage rates from day one
- They may demand a higher starting wage
- You may need to invest in induction and training tailored to your business

Whereas apprentices integrate training with work and often come with subsidised training support.





Value Proposition: Standard Employee vs Apprentice

Here's a practical breakdown for employers:

Factor	Standard Employee	Apprentice
Wage paid	At least NMW/NLW based on age	Apprentice rate initially
Training cost	Paid by employer	Often subsidised (government funding)
Supervision time	Variable (depends on experience)	Can be higher initially
Productivity start	Often quicker	Develops over time
Long-term value	Immediate contribution	Skills shaped specifically to your business
Retention potential	Depends on fit	Often stronger if supported



Practical Context SMEs Should Know

- Statutory compliance matters — paying below the correct minimum is illegal. ([Low Incomes Tax Reform Group](#))
- You can use the **UK government's minimum wage calculator** to check correct pay bands.
- Apprenticeships are designed as a **work-and-learn route**, so early training time and supervision are expected — but long-term ROI can be high.
- Many SMEs report apprentices can become **valued long-term team members** because their skills are developed specifically around the business's needs.

Links & Resources for SMEs

Here are useful links SMEs can explore for up-to-date guidance:

- UK Government NMW/NLW official info: www.gov.uk/national-minimum-wage-rates
- National Minimum Wage calculator (GOV.UK) — to check correct pay for roles and ages. ([NHS Employers](#))

- Apprenticeship pay guidance (GOV.UK) — including how apprenticeships work and training funding. ([GOV.UK](#))
- Acas guidance on minimum wage compliance and employment basics: www.acas.org.uk / ([NHS Employers](#))

Summary:

- **Employees** bring quicker productivity but cost more up-front (full wage + employer costs).
- **Apprentices** cost less initially and come with training support, though they may need more supervision early on.
- Both routes **legally require a wage at or above the minimum rate** based on age and status.
- Choosing between them is about **business need, capacity to support learning, and long-term growth plans.**