

'I was left with nothing.' Why apprentices are being pushed into the informal economy

Published: December 10, 2024 2.39pm GMT

In the UK, apprenticeships and training schemes are often seen as a gateway to skilled careers, providing invaluable hands-on training for service trade professions as varied as plumbing, engineering, accounting and hairdressing. But for many trainees, the financial realities of these programmes are driving them into the informal economy.

[Recent research](#) that we conducted with service sector business owners revealed a troubling trend. Low wages during training push apprentices to engage in undeclared or under-declared work to make ends meet. This means that, while the work itself may be legal, it's done under the radar of authorities so that tax and other liabilities are not paid.

While this provides short-term financial relief, it simultaneously legitimises and normalises informal work, perpetuating its prevalence in the long term.

Since the National Minimum Wage was introduced in 1999, apprentices have been subject to different rules.

Initially, many were excluded from receiving the minimum wage. In 2010, a dedicated [apprentice rate](#) was introduced, set significantly lower than the standard rates and beginning at just £2.50 per hour.

The current rate sits at [£6.40](#) an hour (rising to £7.55 in April 2025). This leaves many struggling to cover basic living expenses, let alone the costs of tools and materials required for their work. As one participant in our research shared:

“By the time I was finished (paying living costs) I was left with nothing. We used to do a bit of cash-in-hand, which helped me get by.”

For others in our study, employers actively encouraged informal work as a financial coping mechanism. Another interviewee recounted:

“Ever since I started, there was always weekend work on the side (informal). This started whilst I was training.”

These off-the-books arrangements establish informal practices as a necessary part of working life. This not only shapes trainees' future attitudes towards informal work but also creates a cycle where informality becomes an accepted norm.

Blurred boundaries

Our [research](#) shows informal work has significant long-term consequences. Trainees who rely on it during their apprenticeships may struggle to transition fully into the formal economy. For many, the line between formal and informal work becomes blurred, and working informally becomes a permanent fixture in their careers as our findings showed.

This tacit acceptance of informal work erodes legal work structures, undermines regulatory compliance and reduces tax revenues. It also creates a competitive disadvantage for businesses operating within the law, which perpetuates the incentives for this sort of work across the sector.

The widespread acceptance of informal work among apprentices and their employers raises critical questions about the adequacy of current apprenticeship policies. If apprenticeships are to remain a cornerstone of skills development, they must provide fair wages to allow apprentices to complete the training without being financially penalised. This would also help apprentices develop clear pathways into formal employment.

To address these issues, the government could consider three things.

1 Raising apprenticeship wages

Ensuring trainees earn a [living wage](#) could reduce their reliance on informal work and improve their quality of life.

Apprenticeship wages fall well below the government's own benchmark for a "living wage" (£6.40 an hour compared to £11.44). Aligning apprenticeship wages with the living wage standard could provide a more sustainable foundation for trainees.

To support businesses in meeting increased wage rates, government-backed subsidies or tax relief schemes could be introduced, ensuring that employers, particularly small and medium-sized enterprises (SMEs), are not left struggling.

2 Financial support for tools and equipment

Providing grants or subsidies for apprentices to purchase the tools they need would alleviate a significant financial burden.

Service sector trades, such as mechanics, electricians and hairdressers, typically require apprentices to buy their own tools and equipment. For instance, a starter kit for a hairdresser might cost around £200 to £500, while a mechanic's basic toolset could range from £500 to £1,500. Providing financial assistance would allow apprentices to focus on developing their skills without the added stress of out-of-pocket expenses.

3 Better regulation and support

Clearer guidance and support from tax authorities and regulatory bodies, such as [HM Revenue and Customs](#),

could help apprentices and employers understand what they have to do to be compliant.

The allure of informal work may seem like a necessary evil for low-paid apprentices, but it can cause significant long-term problems for the apprentice and the economy. While some ready cash can undoubtedly be a lifeline, informal work erodes trust in the labour market, undermines tax revenues and perpetuates cycles of precarious work.

Revving up the economy with the next generation of workers. [ALPA PROD/Shutterstock](#)

Often described as [“engines of growth”](#), small and medium-sized enterprises (SMEs) are vital to the economy, contributing to innovation, job creation and local development. But their ability to sustain this role depends on access to a skilled and well-trained workforce.

By addressing the financial burdens of apprenticeships and challenging the normalisation of informal work, we can create a fairer, more sustainable system for trainees and employers alike. After all, the goal of apprenticeships should be to build skills and careers – not to push young workers into the shadows of the informal economy.

The government has stated that skills are vital to economic growth, attributing a third of [productivity improvements](#) over the past two decades to enhanced skill levels. By investing more in apprenticeship schemes, including wage support, tool subsidies and clear

compliance guidance, the government would not only support SMEs but also help ensure the next generation is equipped to continue fueling growth. Such initiatives align with [broader economic strategies](#) and demonstrate a commitment to creating long-term prosperity.