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Issues & Controversies

Last Updated: September 20, 2010

Unpaid Internships: Are unpaid internships fair?

Introduction

SUPPORTERS ARGUE

Internships, even if unpaid, give students and young professionals a chance to gain beneficial work experience and develop valuable connections. Even though the internship may not pay, it will likely help the student get a paying job later on because more and more companies are looking for internship experience when they hire entry-level professionals. The federal guidelines for unpaid internships are outdated, vague, and unrealistic, and enforcing them would reduce internship opportunities for students.

OPPONENTS ARGUE

Unpaid internships allow companies to get something for nothing. Many of those internships have no professional value, and interns are often stuck doing menial work such as fetching coffee. Furthermore, unpaid internships widen the gap between wealthy and poor applicants because only well-off students can afford to work for free; then they use that internship experience to get better-paying jobs after graduation. The government should enforce its regulations, and require monetary compensation for interns whose work benefits a company.

A high school student in Indianapolis, Indiana, receives instruction during an internship at an architectural firm.

AP Photo/*The Indianapolis Star*, Alan Petersime

In April 2010, the *New York Times* reported that the U.S. Department of Labor (DOL), in response to an increase in the number of unpaid internships, would more strictly enforce federal regulations governing such internships. State regulators in Oregon and California had reportedly already investigated and fined some employers for offering unpaid internships that did not meet the legal criteria needed to waive federal minimum wage requirements.

Internships are generally temporary positions with private companies, nonprofit organizations or government agencies where students or young professionals can gain experience and make connections in fields in which they intend to pursue careers. According to the *New York Times*, the percentage of college undergraduates holding internships jumped to 50% in 2008, from 17% in 1992.

The DOL requirements for unpaid internships have largely gone unenforced. Nancy Leppink, an administrator for the Wage and Hour Division of the DOL, told the *Times*, "If you're a for-profit employer or you want to pursue an internship with a for-profit employer, there aren't going to be many circumstances where you can have an internship and not be paid and still be in compliance with the law." Spokespersons for the DOL also said that not only would it investigate, and possibly fine, employees for noncompliance, but it would also seek to educate colleges, students and employers on the federal legal criteria for unpaid internships.

The *Times*'s report triggered a flurry of editorials and commentary from employers, college students, university career offices and student newspapers on the value and fairness of the unpaid internship. While many commentators were divided over unpaid internships, there was widespread acknowledgment that internship experience was invaluable to young applicants seeking to gain an edge in the currently sluggish job market.

Because many employers require internship experience as a demonstration of interest in their particular field, many high school and college students compete fiercely—sometimes against recent graduates or other young professionals who have been laid off—for the chance to intern, even if the position is unpaid. Some parents, desperate to get internships for their children in reputable companies, even pay companies for such internships, or bid in charitable auctions for the chance for their children to intern.

According to an editorial in the *Daily Californian*, the student newspaper at the University of California at Berkeley, "For many UC Berkeley students, the heavy demand for internships as a prerequisite for an entry level job is nothing new. But the fact that some for-profit firms that have been offering unpaid internships are actually breaking the law was news to us."

Do unpaid internships benefit students and employers alike? Or are they exploitative? Should the federal government more strictly enforce internship regulations?

Supporters of unpaid internships argue that, even though they do not offer monetary compensation, they can still give students or recent graduates the necessary background, knowledge and connections to get well-paying jobs once they complete their education. Supporters argue that current federal requirements for unpaid internships are vague, outdated and unrealistic, and enforcing them would only diminish an already scarce supply of internships for students seeking professional training. Internships are almost a necessity for most entry-level white-collar jobs now, supporters note, so students must strive to acquire experience whenever they can.

Critics of unpaid internships, on the other hand, contend that too many employers are using interns as unpaid employees, having them do menial work with little educational value and using them to replace paid entry-level employees. Because only relatively wealthy students can afford to work for no pay, critics argue, unpaid internships perpetuate socioeconomic inequalities by excluding poorer students from opportunities to expand their work experience. Both students and employers are more likely to invest the effort needed to make the internship worthwhile if it is a paid position, critics argue. The government should better enforce internship regulations, critics say, so that more students have a chance to intern, and can gain more from the experience.

Crackdown on Unpaid Internships Sparks Controversy

Under the Fair Labor Standards Act (FLSA) of 1938, all employers must pay their employees a minimum wage determined by the U.S. government. According to the Wage and Hour Division of the DOL, interns in the "for-profit" private sector who qualify as employees rather than trainees typically must be paid at least the minimum wage and overtime compensation.

According to a fact sheet provided by the DOL, for an employer to circumvent that wage requirement legally, unpaid internships must meet six requirements:

- The internship, even though it includes actual operation of the facilities of the employer, is similar to training which would be given in an educational environment.
- The internship experience is for the benefit of the intern.
- The intern does not displace regular employees, but works under close supervision of existing staff.
- The employer that provides the training derives no immediate advantage from the activities of the intern; and on occasion its operations may actually be impeded.
- The intern is not necessarily entitled to a job at the conclusion of the internship.
- The employer and the intern understand that the intern is not entitled to wages for the time spent in the internship.

Furthermore, the DOL notes that internships—whether paid or not—should provide "the individual with skills that can be used in multiple employment settings, as opposed to skills particular to one employer's operation" in order to be perceived as a an educational experience. Also, the unpaid intern should "not perform the routine work of the business on a regular and recurring basis, and the business [should not be] dependent upon the work of the intern."

According to the Economic Policy Institute (EPI), a nonpartisan Washington, D.C., think tank, the current internship market hardly comes close to meeting the above regulations. For instance, rarely does an employer derive no advantage from the work performed by the intern. An EPI white paper on unpaid internships says, "Given that each point has to be met in order to grant an exemption from the FLSA, it would seem that a vast majority of internships would have to be paid. However, this is clearly not the reality that most students face." Furthermore, the EPI notes that most unpaid interns would be reluctant to report violations for fear of earning a bad reputation among employers and because, if they are fired for complaining, "another student will readily work for free."

Adding to the controversy over unpaid internships, many observers note that unpaid interns must either take second jobs to support themselves while interning, or be supported by their parents. Some college career centers, such as the one at Northwestern University in Evanston, Illinois, offer a limited number of grants to students who take unpaid internships but do not have enough money to make it through a summer with no wages. According to the *Daily Northwestern*, the school's student newspaper, the number of students applying for the grant has increased over the past few years.

After the *New York Times* report and the flurry of commentary that followed, at least one company announced that it would change its policy and pay interns. Atlantic Media, a publishing company based in Washington, D.C., announced in April that it had decided to start paying its interns and would retroactively compensate the previous year's unpaid interns.

Conversely, the reported crackdown on unpaid internships also drew some criticism from those who questioned whether the federal government was not being hypocritical by imposing strict standards on private employers while leaving its own interns largely unpaid. Congressman Darrell Issa (R, California), a member on the House Committee on Oversight and Government Reform, wrote a letter to the White House inquiring whether the DOL would also be investigating congressional and other governmental internships to see if they met the legal criteria. Government interns in Washington, D.C., according to the *Wall Street Journal*, "routinely work long hours in cramped conditions" and "do everything from getting coffee and giving tours to answering phones and helping to draft replies to constituents."

On April 30, 13 college presidents penned a letter to the DOL asserting that their respective "institutions take great pains to ensure students are placed in secure and productive environments that further their education." The signatories to the letter cautioned the government against cracking down on unpaid internships, which they described as "an approach to learning that is viewed as a huge success by educators, employers, and students alike."

Supporters Argue: Unpaid Internships Provide Students with Invaluable Experience

Even though unpaid interns are not financially compensated, supporters say, they can gain a professional advantage through their internships. Editors Karthik Kasaraneni and Dhruv Singhal of the *Harvard Crimson*, the daily student newspaper at Harvard University in Cambridge, Massachusetts, write:

> *Those who assert that employers exploit hapless students should recall that these very employers give many disadvantaged students the opportunity to develop a practical understanding of their desired field. They should also consider the possibility that internships are not merely superficial resume lining but often are a means of gaining nonreplicable hands-on experience, skills, and familiarity that students need in order to be hired full-time.*

Furthermore, internships—whether paid or not—offer an essential stepping stone for students struggling to prepare for a career, supporters say. As one parent, who paid $8,000 so her daughter could do an unpaid sports marketing internship in New York City, told the *Wall Street Journal*, the internship experience helped her daughter "come out of her shell. It really made her grow as an individual."

Supporters point out that internships also help students make professional connections in their chosen fields, increasing their chances of getting a paid position after graduating. Thus, even unpaid internships may help students increase their future earning power, supporters say. In fact, supporters contend that internship experience is a necessity for college graduates applying for jobs, so students should have access to a variety of internships, even if they are unpaid. Ross Perlin, a graduate of Stanford University in Palo Alto, California, told the *New York Times*, "Internships have become the gateway into the white-collar work force. Employers increasingly want experience for entry-level jobs, and many students see the only way to get that is through unpaid internships."

Supporters stress that unpaid internships reward the interns in the long run. Former unpaid interns Leslie Hook and Joseph Sternberg, now writers for the *Wall Street Journal*, say of their own experiences, "In retrospect, the experience we gained and the connections we made turned out to be a significant form of compensation in themselves. It would be a shame to deprive others of similar opportunities simply because that intangible remuneration doesn't show up in a minimum-wage calculation."

Many supporters of unpaid internships argue that more strictly enforcing federal internship regulations will only hurt students by reducing the number of already hard-to-get internships. Kasaraneni and Singhal write that if the DOL forced employers to "honor the existing laws nominally banning unpaid internships, the number of opportunities available to students would dramatically decrease. Unpaid jobs would not suddenly change into paid ones; especially in this economy, the jobs would just go away."

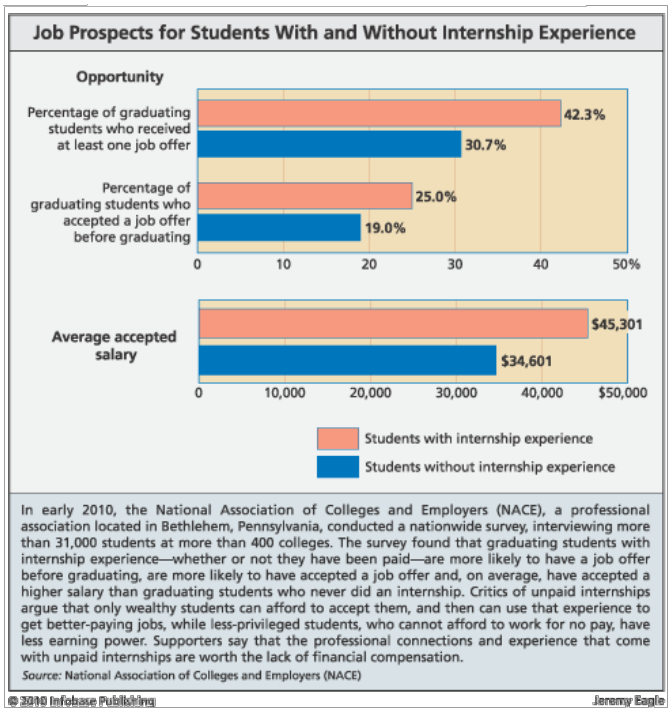
Supporters also contend that cracking down on unpaid internships will do nothing to close the gap between students from wealthy and low-income families. Kasaraneni and Singhal write, "All that President Obama's restricting them will do is rob most students of valuable employment experiences while providing no added opportunity to low-income students."

Indeed, supporters say that enforcing regulations for unpaid internships may make it even harder for low-income students to get internships. Hook and Sternberg argue that, with unpaid internships, it is "easier to convince employers to take a risk on very green but potentially promising students they'd never heard of.... As soon as a financial commitment is involved, won't bosses be more likely to stick with known quantities such as the children of friends and relatives?" Removing unpaid internships from the market, supporters say, will hurt less-wealthy applicants, who are less likely to have the right connections.

Enforcing existing regulations would represent unwarranted government interference in the labor market, supporters say. Journalist Kathryn Ciano writes in the Washington *Examiner*, "[L]egislature-imposed wage floors inevitably destroy natural markets and make it that much harder for fringe folks to find jobs.... When employers cannot hire at the lowest margin, young jobseekers find themselves out of luck, priced out of the market."

Supporters argue that the federal guidelines for unpaid internships are outdated and unrealistic. As Chicago lawyer Camille Olson told the *New York Times* that it would be difficult for any employer to meet the requirement that "the intern not perform any work to the immediate advantage of the employer. In my experience, many employers agreed to hire interns because there is very strong mutual advantage to both the worker and the employer."

The government should update current internship regulations to reflect the changing economy, rather than restrict unpaid internships, supporters argue. According to an editorial in the *Daily Princetonian*, the student newspaper at Princeton University in New Jersey, the DOL's criteria for unpaid internships should be changed "so that companies can continue to offer unpaid internships without facing a significant burden.... In this case, it is fine to let the market dictate pay structures even though the market says that there is no need to pay interns."



Opponents Argue: Unpaid Internships Exploitative, Unfair for Lower-Income Students

Critics of unpaid internships say that they give unethical companies an opportunity to displace paid employees with unpaid interns desperate to get work experience, no matter how menial. According to the EPI,

> *In the absence of clear guidance and enforcement, employers are able to replace regular workers...with unpaid college interns and recent graduates. This disadvantages both the workers who are crowded out of employment, as well as college students and recent graduates who are forced into unpaid work that may also be mismatched for their skills.*

Critics say that trend has only worsened during the current recession, which began in December 2007.

If an intern's work benefits a company, he or she should be paid for it, critics say, especially since many unpaid internships have little or no educational value. According to the *New York Times*, "Many students said they had held internships that involved noneducational menial work. To be sure, many internships involve some unskilled work, but when the jobs are mostly drudgery, regulators say, it is clearly illegal not to pay interns."

Unpaid internships often become a form of mutual exploitation where neither party is actually invested in the internship, critics say. Student Eli Epstein, at New York University (NYU) in New York City, writes in the *Washington Square News* (NYU's student newspaper) that unpaid internships

> *keep you imprisoned as the corporate errand boy with the tenuous promise of maybe being able to use the big, shiny photocopier one day if you can master the outgoing mail. And while it may come as a shock to hear that you were never part of [investment banking company] Morgan Stanley's 10-year plan, the employer is not the only one complicit in this dupe of an internship. Admit it: You had your right foot out the door since day one, ready to leave at the drop of a hat once the internship looked good enough on paper.*

Paid internships benefit both employers and interns more than the unpaid kind, critics say. An editorial in the *Daily Princetonian* argues, "Interns take paid jobs more seriously, and, more critically, employers are motivated to keep track of paid interns to maximize the return on their investment, which naturally leads to a better learning experience." In contrast, the editorial contends, unpaid interns have little motivation to do good work and employers likewise have little at stake in supervising or training them.

Furthermore, critics say that unpaid internships widen the gap between the haves and the have-nots. Shane Goldmacher, a student journalist for the *Daily Californian*, argues that unpaid internships perpetuate "social inequality." He writes, "[I]nternships have become de facto requisites for getting a paid position in the most competitive industries. So to make a lot of money in life, you have to start off working for free. But to work for free, you must start off with a lot of money."

Enforcing current internship regulations will even the playing field for students who cannot afford to take nonpaying jobs, critics maintain. The editorial board of the *Daily Californian* writes, "Internships tend to disproportionately pad the resumes of wealthy and well-connected students to the detriment of the rest of us, furthering the economic inequality already present in our society. To curb this unjust system, we support stronger government regulation and crackdowns when necessary."

If holding an internship, either paid or unpaid, continues to be an important factor in getting a job, critics say, the opportunity to intern must be made

possible for low-income students. According to the staff of the *Harvard Crimson*, "The majority of firms expressly cite relevant work experience in the form of internships as the primary motivation to hire a recent college graduate. As it stands, if you can't afford to work without pay before graduating, you might not work at all afterwards."

Critics refute the argument that cracking down on unpaid internships will damage the internship market. According to a dissenting editorial in the *Daily Princetonion*, such an "argument mistakenly characterizes illegal, unpaid internship programs as a scarce resource that must be preserved and ignores the fact that paid internship programs are based on a time-tested economic model that provides mutual benefit to employers and interns."

Unpaid interns do not have the benefit of federal legislation that guards workers against discrimination or harassment, critics note. According to the EPI, because courts generally use compensation as the first proof of employment in any lawsuit involving harassment or discrimination based on race or age, unpaid internships leave "many interns unprotected by workplace discrimination and harassment statutes such as the Civil Rights Act, Americans with Disability Act, and the Age Discrimination in Employment Act."

Critics note that in at least one case, *O'Connor v. Davis*, a court has ruled that an unpaid intern cannot file a sexual harassment suit. Protection against discrimination, according to the EPI, is particularly important "given the vulnerable position most student workers are in during internships; they are generally on the lowest rung of a workplace hierarchy and working not for the compensation (if any) but rather for the educational experience and recommendations from supervisors and employers for future opportunities." [See Unpaid Interns Lack Discrimination and Harassment Protections in Workplace (sidebar)]

Suggestions for Reforming the Internship Market

In May 2010, the National Association of Colleges and Employers (NACE), a professional association located in Bethlehem, Pennsylvania, conducted a survey to gauge national sentiment on unpaid internships. The survey results indicated that a significant number of respondents felt that "DOL regulations were outdated and designed more for training programs than for modern day internships." Specifically, some respondents noted that the requirement that employers receive "no immediate benefit" from offering the internship was nonsensical. Instead, respondents said, the regulations should be modified to make sure the internship benefits both the employer and the intern.

Other respondents in the NACE survey argued that colleges, not the federal government, should be tasked with monitoring internships for educational value and accessibility to a wide range of students. Career offices, some say, should use stricter criteria for employers wishing to post internship opportunities on college websites.

Some observers have suggested that the federal government should subsidize internships for nonprofit or government agencies that otherwise would not pay their interns. Such subsidies, some argue, would allow interns from all socioeconomic backgrounds to complete internships. Whether the federal government will enforce current unpaid internship regulations or modify them remains to be seen; meanwhile, significant numbers of students and recent college graduates will continue to compete for internships, even unpaid ones.

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Additional Sources

Additional information about unpaid internships can be found in the following source:

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Contact Information

Information on how to contact organizations that are mentioned in the discussion of unpaid internships or can provide additional information on the subject is listed below:

Economic Policy Institute
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Telephone: (202) 775-8810
Internet: **www.epi.org**

National Association of Colleges and Employers
62 Highland Avenue
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Telephone: (610) 868-1421
Internet: **www.naceweb.org**

Keywords

For further information about the ongoing debate over unpaid internships, search for the following words and terms in electronic databases and other publications:

Federal internship guidelines
O'Connor v. Davis
Student internships
Unpaid internship regulations

Citation Information

"Unpaid Internships: Are unpaid internships fair?" *Issues & Controversies,* Infobase, 20 Sept. 2010, https://icof.infobaselearning.com/recordurl.aspx?ID=2138. Accessed 3 Aug. 2020.