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POSITION STATEMENT: UNPAID INTERNSHIPS AND THE NEED FOR FEDERAL ACTION



NATIONAL ASSOCIATION OF
COLLEGES AND EMPLOYERS

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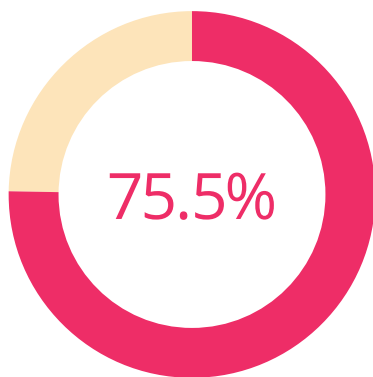
UNPAID INTERNSHIPS AND THE NEED FOR FEDERAL ACTION

Internships serve as an important bridge from college to career. NACE research has demonstrated that internship experiences are avenues to increased skills, expanded networks, and enhanced social capital, and offer direct pathways to job offers and jobs. They are used widely by companies across the United States and are readily replicable. While many internships are paid, unpaid internships are problematic for many reasons. Using an equity lens, NACE's position statement on unpaid internships is a call to policymakers to address the inherent inequities unpaid internships cause and to work to ensure all internships are paid.

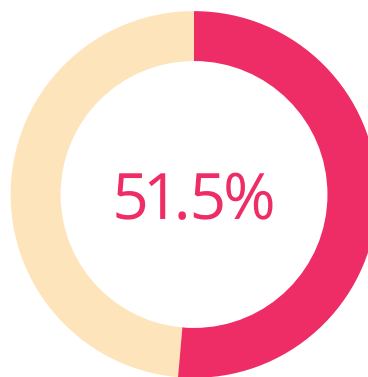
INTERNSHIPS PROVIDE THE CRITICAL LINK TO LAUNCHING CAREERS

Internships are one of the most effective recruiting tools employers use to identify and hire early careers college graduates. According to a recent NACE quick poll, 80% of 166 responding employers indicated that internships provided the best return on investment (ROI) as a recruiting strategy, compared to career fairs, on-campus visits, on-campus panels, or other activities (NACE Quick Poll: Spring Recruiting and Career Services, 2022). From the employer's perspective, internship experience is often the deciding factor when employers are evaluating two otherwise equivalent candidates (NACE Job Outlook: 2022, 2021).

NACE's annual survey of internship employers has consistently found that 50% to 60% of eligible interns convert to full-time employees. Converted interns offer significant additional benefits for employers. First, interns who have converted to full-time employees are much quicker to onboard and train because they have already gone through many of those processes during their internship. Second, interns who become employees are retained at higher rates than other hires: 75.5% are still with the organization after their first year on the job compared to 51.5% of non-intern employees (NACE 2023 Internship & Co-op Report, 2023).



INTERNS STILL WITH THE SAME ORGANIZATION AFTER THE FIRST YEAR ON THE JOB.



NON-INTERN EMPLOYEES STILL WITH THE ORGANIZATION AFTER THE FIRST YEAR ON THE JOB.

UNPAID INTERNSHIPS ARE PROBLEMATIC

NACE research has found that students who take part in paid internships receive more job offers and garner higher starting salaries than those who participate in unpaid internships (NACE 2022 Student Survey, 2022). According to the NACE 2022 Student Survey of four-year college students, paid interns averaged 1.61 job offers, while unpaid interns averaged 0.94 offers, and students with no internship experience just 0.77 offers. Not only do paid interns garner more job offers on average, but they are also offered higher starting pay. According to the same 2022 Student Survey, paid interns earned a median starting salary of \$62,500 compared to unpaid interns who reported earning a median starting salary of \$42,500.

Particularly troubling, NACE research has also found that all college students are not equitably represented in internships (Inequity in Internships, NACE, 2021). According to survey data, women, Black, Hispanic, and first-generation students were underrepresented in paid internships. In 2022, NACE followed up on that initial analysis and the internship data from 187 employers demonstrated nearly identical inequities. Again, women, Black, and Hispanic students were significantly underrepresented as a proportion of paid interns. Taken together, the research shows that white, male, and continuing generation students are disproportionately overrepresented in paid internships. Providing more paid internships for underrepresented populations will lead to greater access, opportunity, and success for participating students; help fill critical roles throughout the employment landscape; and lead to needed diversification of the workforce.



Unpaid internships are a barrier to achieving equity and opportunity for all college students:

- Participating in an unpaid internship is much harder, and often impossible, for students who cannot forgo a paycheck for a significant period. Consequently, unpaid internships disproportionately benefit students who can afford to intern without pay. As such, these students can access work experience, skill development, and networks that less privileged students cannot.
- The bifurcation of paid and unpaid internship opportunities causes a disparate impact on student outcomes and furthers systemic inequities. As the research indicates, paid internships are disproportionately going to males, white students, and continuing generation students. These students then go on to receive more job offers and higher starting salaries, which perpetuates and exacerbates the disparate impact over time.
- Unpaid internships deny basic labor rights provided to paid interns. As unpaid interns are not considered “employees” of the organization under the Fair Labor Standards Act (FLSA), they are not legally protected against harassment and discrimination (Rothschild & Rothschild, 2020).
- Not compensating interns communicates to them and their organizational colleagues that their contributions are somehow less valuable than the work of paid interns. This again perpetuates and exacerbates the gender, racial, and socio-economic inequities to which unpaid internships directly contribute.

To provide all participating internship students with equitable access to opportunities and career success, we advocate that all internships should be paid.

CALL TO POLICYMAKERS FOR ACTION

We advocate for legislation to eliminate unpaid internships and provide support for employers in converting unpaid internships to paid internships.

- **Congress should pass legislation requiring internships to be paid.** For decades, interns have occupied a nebulous space in the employment world—sometimes being considered unpaid trainees and sometimes being considered fully paid employees. Modern legislation is needed to resolve this inconsistency. The Primary Beneficiary Test requires employers to exercise broad discretion and judgment in determining whether interns should be paid. Unfortunately, where such judgment and discretion are used, mistakes can and will be made, or more troubling, employers will intentionally classify an individual as an unpaid intern simply to save money. Given the data, the issue of whether to pay interns is clear: Students, institutions of higher education, employers, and the economy will all benefit from interns being paid, and legislation is needed to make it so.

- **In addition to legislation, policy makers should provide increased financial and other support to smaller, for-profit, and nonprofit organizations for them to provide paid internships.** NACE research suggests that unpaid internships reside largely with smaller for-profit companies and nonprofit organizations. This support could take the form, for example, of increased funding support for existing workforce and education legislation programs. NACE encourages the internship community to use other funding available to financially support low-paid and unpaid internships. Federal Work Study funds, funds available pursuant to the Workforce Innovation and Opportunity Act (WIOA), institutional stipend funding, and local chamber of commerce funding are available options for the funding needed to eliminate unpaid internships. **NACE not only recommends increased usage of these funds, but also encourages the government agencies that oversee these funding streams to provide detailed guidance to help facilitate this usage along with increased investments to support paid internships.** If an employer cannot afford to pay an intern, they could access these various funding streams. These streams should then flow through the employer to the student/ intern/employee, who then would be subject to all standard applicable labor laws.
- Until legislation exists requiring internships be paid, **Congress should immediately pass the Federal Intern Protection Act** to extend legal protections to unpaid interns in the federal government. Further, NACE encourages federal legislation to prohibit discrimination against unpaid interns in the private sector as well. Several states, e.g., Oregon and Connecticut, have passed laws protecting unpaid interns from sexual harassment and/or workplace discrimination and could serve as models for other states and the federal government.

A MORE QUALIFIED, MORE DIVERSE, AND MORE PRODUCTIVE WORKFORCE

Internships are vital in bridging the college experience to the world of work. Strengthening the availability of funding and protections for internships assures greater participant diversity, access, and opportunity, enhancing the overall quality and productivity of the workforce. The economy and all its vital stakeholders will significantly benefit.

REFERENCES

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Rothschild, P., & Rothschild, C. (2020). The unpaid internship: Benefits, drawbacks, and legal issues. *Administrative Issues Journal: Connecting Education, Practice, and Research*, 10(2), 1-17.

