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Paid or Unpaid Internship? Let Individuals Decide

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GUEST POST WRITTEN BY

Vance Ginn and Carine Martinez-Gouhier

Mr. Ginn, Ph.D., is Economist, and Ms. Martinez-Gouhier is a research associate, at the Texas Public Policy Foundation.

Justice for interns!

The mantra of those who claim that unpaid internships are not fair has become a heated debate after interns recently [sued](http://www.businessweek.com/articles/2013-06-27/unpaid-intern-lawsuits-) (<http://www.businessweek.com/articles/2013-06-27/unpaid-intern-lawsuits->

explained) their employer for back pay. Unfortunately, the debate's storyline only highlights a few cases and misguides many by giving the impression that internships are a modern form of slavery.

With the dismal state of the labor market in many places across the U.S., internships have become the norm to gain experience for young graduates—11.1 percent unemployment rate for those 20 to 24-years-old—or people seeking a career change. In our view, internships—unpaid or paid—provide value that individuals should have the freedom to decide which is best for them.

According to the college recruiting and research firm Intern Bridge's 2010 Internship Salary Report (<http://utsa.edu/careercenter/pdfs/2010%20salary%20report.pdf>), 68 percent of 25,000 interns surveyed who receive an average wage of \$12.54 an hour would agree to intern for less money. Out of the top 13 reasons given to intern, “to earn money” ranked 7th; more highly ranked reasons include gaining experience and employment.

The National Association of Colleges and Employers' (NACE) 2014 Internship and Co-op Survey (<https://www.nacweb.org/internships/benchmarks.aspx>) reports that 97 percent of responding employers plan to hire interns in 2014 and pay roughly 98 percent of them. Debunking the argument that many interns are not paid well are the survey results showing average hourly wages for interns at the bachelor's degree level is \$16.35 and \$22.50 for those with a master's degree.

Critics' argument that there are no additional benefits to an intern's career is weak. We have completed paid and unpaid internships and found the opportunity to gain on-the-job training and to build a strong social network have substantially benefitted our careers. These marginal benefits may not be rewarded with a wage during an internship, but the opportunity to gain employment at a place that is a good match for the worker and employer helps improve job matching and employee satisfaction.

Internship experience also helps increase initial job offers. Employers offered full-time positions to 65 percent of their interns and 79 percent of interns accepted a full-time job with their employer, according to the NACE 2014 survey. There is not only an opportunity for an intern to gain employment where they intern, but on-the-job training and an established social network also increase their chance to be offered a job somewhere else.

The NACE's Class of 2013 Student Survey (<https://www.nacweb.org/s05292013/paid-unpaid-interns-job-offer.aspx>) finds that 63 percent of paid interns receive at

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least one job offer with 37 percent of unpaid interns and 35 percent of those without an internship doing the same. Paid interns may be offered jobs more often than unpaid interns, but this is information each intern should consider when determining whether to apply for an internship. This does not mean that all interns accepted the job offer or were places that were a suitable match.

Various rules apply to interns since they are not an employee. Federal legislation separates for-profit firms from non-profits and government agencies. Since one can volunteer time for the government or non-profits, unpaid internships are not a legal issue. However, the for-profit internship market is highly hampered by government intrusion with six Department of Labor (DOL) guidelines (<http://www.dol.gov/whd/regs/compliance/whdfs71.pdf>) for exempting a firm from paying their interns.

One guideline states that “[t]he employer that provides the training derives no immediate advantage from the activities of the intern; and on occasion its operations may actually be impeded.” In other words, an intern not receiving pay may receive benefits from the experience of interning at a for-profit but provide no meaningful gain to the employer. This disincentivizes an employer from offering non-paying internships and is contrary to what may benefit interns.

The lack of clarity of the six DOL guidelines leaves firms in a legal limbo regarding some internship programs. Following lawsuits and bad publicity, some firms simply cancelled their internship programs. Clearly, instead of government intrusion positively assisting internship markets, it hurts them.

Intern Bridge finds that many “students would choose a government or non-profit internship over a for-profit experience.” Ultimately, the decision of accepting an internship is an individual’s choice made on its expected benefit.

As with other forms of government intrusion in markets, there will be costs if all firms are mandated to pay interns. An example of this cost is a higher minimum wage benefitting a few who keep their job at the expense of the many who are fired. Why? The Law of Demand. As the price of any good or service rises, there will be a decline in the quantity consumed. In the labor market, a higher wage leads to fewer workers hired.

If the goal is to reduce the number of internships and provide fewer opportunities for Americans to improve their livelihood, then individuals’ choices to intern should be replaced by government decree that all interns must be paid.

However, those of us who support individual liberty and believe internships—paid or unpaid—better the careers of those who choose to intern understand that this market will be best served by leaving it alone. Former President Thomas Jefferson may have summarized the solution best when he said, “That government is best that governs least.”

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