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The Economic and Social Implications of Patterns in Internship Participation

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A thesis submitted in partial fulfillment
of the requirements for
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in Political Economy

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Section 1: Introduction

In recent years, unpaid internships have become increasingly controversial in the U.S. In the last year, half a dozen lawsuits have been filed against former employers of unpaid interns, one of which was decided in favor of the interns in June 2013 (Adams, 2013), and Charlie Rose settled out of court for \$250,000 in backpay to former interns (Gardner, E., 2012). An offshoot of Occupy Wall Street has formed to advocate for pay in New York; a separate organization called the Fair Pay Campaign is working in Washington, D.C. (Perlin, 2013). When Sheryl Sandberg's non-profit organization to support women's professional advancement announced an unpaid internship position in the fall of 2013, within days the outrage in the media and online elicited an apology and a promise to make it a paid internship (Kleinman, 2013).

Despite the increase in legal activity and advocacy, research on the costs and benefits of internships, and unpaid internships in particular has been limited. In part, that is because of limited information. (For legal reasons, interns are not tracked as a category in the U.S. government's extensive labor market data.) Thus, though there are some small-scale studies of the benefits of internships for individuals or particular industries (Bay, 2006; Downey & DeVea, 1988; Henry, 1979; Metzger, 1998; Taylor, n.d.) little research exists attempting to evaluate the role of internships in the labor market. Moreover, of the research that does exist, it's only in the last few years that paid and unpaid internships have been distinguished. Critics and advocates are staking out claims on either side of the issue, but more evidence is needed to understand the role of unpaid internships in society, in terms of both the value and the problems they present. With this in mind, this thesis attempts to evaluate two commonly voiced concerns about internships.

First, many argue that unpaid internships are distributed inequitably and promote or sustain inequality. An article from the New York Times in 2010 summarizes this belief cogently: “While many colleges are accepting more moderate- and low-income students to increase economic mobility, many students and administrators complain that the growth in unpaid internships undercuts that effort by favoring well-to-do and well-connected students, speeding their climb up the career ladder” (Greenhouse, 2010).

Second, many critics argue that unpaid internships allow firms to exploit highly educated, cheap labor, particularly in the context of a weak labor market for recent college graduates. Given an unemployment rate hovering around 9% for college graduates under age 24 (De Groot, 2012), young adults are looking for “any opportunity in a tight labor market that might otherwise reject them,” even if that means no paycheck (Merling, 2013). Journalist Josh Sanburn from Time describes the implications of this belief bluntly, writing “In the workplace, there seem to be two long-established but contradictory rules: Everyone gets paid to work — unless there's mindless drivel to do, of course, and then you get college kids to do it for free” (Sanburn, 2012). Ross Perlin, the author of a book about internships, has argued that this use of interns may lead to a downward spiral, as interns increasingly do what used to be entry-level work, preventing the need for paid positions for themselves and peers.

Whether these claims are valid is unclear, given the limited scholarship on the topic. As such, these two primary arguments for requiring internships to be paid are made primarily with logic rather than evidence. It seems plausible that wealthy students

would be likelier to profit from the existence of unpaid internships, just as it seems plausible that firms would exploit to the fullest an opportunity to reduce labor costs.

As it stands, among nonprofit and public agencies, who are unequivocally allowed to host unpaid interns, about two-thirds and three-fifths of all internships are unpaid, respectively (Table 2). For-profit firms are required by the letter of the law to meet strict requirements in order to legitimately have an unpaid internship. Either these requirements are regularly being met, or for-profit companies are ignoring the law: By various estimates, approximately 30 to 40 percent of for-profit internships are unpaid (Table 2; NACE, 2012; Gardner, 2012).

I consider internships from three perspectives in order to address whether internships may be promoting inequality or exacerbating a weak labor market for college graduates. In Section 2 I examine the origin and role of the internship in the labor market and organizations over time. In Section 3, I consider economic, political, and sociological theory that explains firms' and interns' participation in this phenomenon. In Section 4, I analyze recent data about internships, estimating whether greater family income is associated with increased participation in internships overall, or with unpaid internships in particular. While I have evidence that will allow me to fairly directly evaluate the claim about inequality, I must evaluate the second indirectly by inferring from the collective findings of these three sections. Nevertheless, these different perspectives allow me to consider what benefits and drawbacks unpaid internships might present under different conditions, particularly in light of critics' claims. I synthesize the observations of these perspectives in Section 5 to develop a

comprehensive evaluation of the benefits and costs of unpaid internships and implications for policy.

I find that determining an appropriate policy regarding internship pay is considerably more complicated than critics would like to believe. The results of my data analysis suggest that internships in general are inequitable, though it is not clear to what extent the prevalence of unpaid internships are involved in this pattern. Moreover, considering the history of internships in tandem with economic theory and modern patterns of participation on the part of firms suggests that though most internships are likely not exploitative, in aggregate there may be more internships than is ideal. These findings offer tentative support to propositions to reduce or restrict unpaid internships, but mainly they highlight the need for more in depth research to better understand internships at different times and in different places.

Section 2: Legal and Historical Background

In order to evaluate the role that the internship presently plays in the labor market, it is necessary to consider its origins and how it has changed over time. This section will delineate the concept of the internship through examining its history in law and in practice.

Historical Context

The word “internship” derives from the medical internship, a practice that began in the 19th century. In its earliest forms, the medical internship was an ambiguous term: within the U.S., most medical students participated in practical training prior to medical school. These students were sometimes referred to as “medical internes” as early as the 1850s (Stevens, 1978, p. 3). While such training could also be performed after academic schooling, during the 18th and much of the 19th century, the most respected form of post-graduate training was by training at major hospitals in Europe, for the elite who could afford it. However, over the course of the next few decades, as medical schools grew and became more established, they began to discourage practical training prior to matriculation, and the concept of the internship became strictly post-graduate, even in the U.S. However, at this early point there were few internships available, and many of them were tied to particular medical schools. This practice made early internships accessible only to those who could gain entry to these medical schools in the first place. Like the tendency to pursue graduate studies in Europe, this tendency made internships initially accessible only to the social elite. (Stevens 2-10)

However, between the 1880s and the beginning of the next century, the number of medical internships available grew rapidly in tandem with the growth of major

hospitals in the U.S. With more staff needed, hospitals came to see the value of interns, who frequently performed many of the basic tasks of physician care but were nevertheless distinctly junior members of the staff in both pay and authority (Stevens 5). Half of all medical school graduates performed internships by the turn of the century; more than three-quarters by 1914, and by the 1920s, Stevens claims that there were large numbers of vacancies for interns, with “twice as many internships as interns.” Over the course of this period, the internship transformed from being a prestigious experience of the elite to being simply another necessary step in the career of a doctor: by the 1920s, 95 percent of medical school graduates were estimated to complete internships.

Sometime during this period, the excitement over internships as a post-graduate training experience began to spill over into other industries. Though internships through the 1920s do not appear on a large or formal scale in other sectors, there is regular mention of them in classifieds ads and occasional articles referencing new ideas about higher education or opportunities for young people to pursue career opportunities throughout the 1920s and 1930s. At the same time, the spillover is small in relative terms: in searching a database from this period for newspaper articles referencing the word “internship” or “intern” nearly all of the results are in regard to medical or dental internships, or alternatively, in regard to the violent internment of people that occurred during this period.

In the 1930s, internships migrated to public administration in a prominent way. The Rockefeller Foundation supported the creation of a new organization called the National Institution for Public Affairs, whose sole purpose was to run a selective

internship program in public administration for promising young college graduates in Washington, D.C. (“The National Institution of Public Affairs: Prospectus of the Project,” 1935). A congressman describing the program in the *Journal of Higher Education* noted that the “place of an internship is individually determined to satisfy the interest of each student” and “that the supervisor should be of such a caliber to afford sympathetic guidance and supervision to his helper.” The internships were highly competitive and once selected interns enjoyed a highly individualized learning experience. Though these interns were not paid, their living expenses were covered through various contributions of the organization itself or the students’ universities (“The National Institution of Public Affairs: Prospectus of the Project,” 1935).

While it’s difficult to find discussion of the expansion of internships in precise numbers, both academic and non-academic periodicals mention internships in notable ways. For example, *The Accounting Review* and *The Journal of Marketing* both published articles around 1950 discussing the possible benefits of introducing or expanding internships in their respective fields (Brown, 1948; Nelson, 1952). In the 1960s and 1970s, journals in each field had moved on to discussing what internships should be like, suggesting that they had by then become established in each field (English & Lewison, 1979; Koehler, 1974).

It may have been the case that through much of this period internships were closely tied to academic programs. Many articles from the period about internships are about whether or not to include them in a university curriculum. In 1979, one survey of graduates of nine different Master’s of Public Administration/Policy programs found that while nearly half of the 588 respondents had been interns, every single one of those

had been required to do an internship by their academic departments (Henry, 1979). Similarly, in the same year over half of sociology departments administered internships as part of their programs according to a survey of more than 500 departments (Satariano & Rogers, 1979).

A search of historical news articles from the 1980s yields mentions internships both tied to schools and independent of them. A survey conducted by the Washington Center found that 90 percent of existing university-administered internship programs had been created in the decade prior to 1985 (Schocket, 1985). Several major Connecticut-based corporations started their internship programs in the year 1989, including General Electric, Xerox, and Aetna (Associated Press, 1989). Both facts suggest that internships were on the rise across the country in the 1980s, though they may not have been ubiquitous. For example, staff from Wesleyan University career services suggested that there were “hundreds” of internships offered by corporations in Connecticut around the end of the decade, mostly in accounting or business (Associated Press, 1989). According to a spokesperson for the National Society for Experiential Education, in 1981 only about one in 36 college graduates had completed an internship (Gilbertson, 1997).

During this period several large corporations appeared to use internships primarily or particularly as a special recruiting tool for underrepresented groups. Internship programs at Pepsi and Ma Bell were exclusively oriented towards minorities, while Union Carbide Corp. and the Travelers Companies set aside about a fourth of their internships for minorities (“Pepsi exec urges students to claim their share of pie,” 1993; Associated Press, 1989; Schocket, 1985).

The language discussing internships during the 1990s suggests that there is a shift from mere expansion in internships to their entrenchment in the post-graduate labor market entry process. The National Society for Experiential Education estimated that by the beginning of this decade, about a third of college graduates completed internships. Moreover, it's during this period that discussions about unpaid internships – and concerns about their implications – begin to surface.

A *Washington Post* Q&A article from 1990 led off a discussion of advice on how to get an internship with the advice seeker remarking, “This is the time of the year when students everywhere start their quest for that rare commodity – the summer internship” (Grove, 1990). Another writer for the *New York Times* commented, “Increasingly, potential employers want – and schools require – work experience. And that encourages the current system, with would-be interns unwilling to demand pay” (Gilbertson, 1997). Concerns were particularly strong regarding the so-called “glamorous” fields including politics, fashion, media, and film, which are industries that appear to have much higher rates of unpaid internships than others based on internship listings and anecdotal evidence (Gilbertson, 1997).

Such attitudes persisted and became more prevalent in the following decade. Seven years after Gilbertson discussed the internships of the “glamour” industries in the *New York Times*, Jennifer Lee argued in the same pages that unpaid internships “separate the haves from the have-nots” (Lee, 2004). Likely in response to such concerns, many colleges created or expanded programs to provide grants for students completing unpaid internships (Lee, 2006). As the recession rolled in a few years later, anxiety increased: It appeared that many high-end paid internships were cut – normally,

98 percent of Vanderbilt University's MBA students found paid internships; in the year following the recession only 80 percent were able to (Stainburn, 2009). Meanwhile, the recession intensified suspicion of corporations exploiting interns for cheap labor, and of colleges for enabling them (McDermott, 2013; Perlin, 2011; Peter, 2007).

By the end of the first decade of the new millennium, several large surveys suggested that about half of all college graduates completed internships (*The College Class of 2012: Executive Summary*, 2012; Table 1).

Legal History

The question central to the legal standing of internships, as mentioned in the introduction, is whether some types of internships may be unpaid.

The law that governs the federal minimum wage is the Fair Labor Standards Act of 1938 (FLSA). This law stipulates that all employees must be paid in accordance with the federal minimum wage, which is currently \$7.25 per hour (29 U.S.C. 8 §206(a)). In turn, "employees" are defined as individuals "employed by an employer" (29 U.S.C. 8 §203(e)(1)); "employ" is defined as "to suffer or permit to work" (29 U.S.C. 8 §203(d)); and "employer" is defined as "any person acting directly or indirectly in the interest of an employer in relation to an employee" (29 U.S.C. 8 §206(a)). If an intern meets the definition for an employee under the FLSA, he or she must be paid.

The legal definition of employee may appear broad, but there are multiple specific exceptions that are relevant to internships. Specifically, volunteers to public agencies, if they do not receive compensation for their activities, are not considered employees (29 U.S.C. 8 §203(4)). Neither are individuals who volunteer for food banks (29 U.S.C. 8 §206(5)).

In regards to non-exempt employees, the legal precedent interpreting the FLSA that would come to be most pertinent to internships was a case called Walling v. Portland Terminal Co, which was decided by the Supreme Court in 1947.¹ The case concerned a week-long training program required by Portland Terminal Co. to learn how to operate the machinery necessary to work as a railroad brakeman. In order to be eligible to work for Portland Terminal, individuals were required to complete this training, which was offered without compensation (Walling v. Portland Terminal, 150-151).

The court concluded firstly that, “Without a doubt the [FLSA] covers trainees, beginners, apprentices, or learners *if they are employed to work for an employer for compensation*” (Walling v. Portland Terminal, 152, emphasis added). In other words, if an individual and a firm decide prior to a training experience that the individual will receive compensation, an employer relationship exists and the employee is entitled to all the rights of covered employees.

However, if the two actors both understood from the outset that there was to be no compensation, an employer relationship was not a given. In particular, given that the case concerned itself with a training course, the court ruled that

“the definition [of employ] ‘suffer or permit to work’ was obviously not intended to stamp all persons as employees who, without any express or implied compensation agreement, might work for their own advantage on the premises of another. Otherwise, all students would be employees of the school or college they attended... (Walling v. Portland Terminal Co. 153).

¹ Notably, the justice who wrote the majority opinion was Hugo Black, who as a senator nine years earlier was an original sponsor of a fledgling version of the Fair Labor Standards Act, though it was ultimately passed after he moved to the Supreme Court (Grossman & Guzda, 1978).

In determining that the individuals were not during the time of training employees of Portland Terminal, the court also pointed to the fact that the trainees rather than the company were the primary beneficiaries, while the work of the company was even “impeded” (*Walling v. Portland Terminal Co.* 152), and that the skills they learned were similar to those that they might learn at a vocational school.

In 1967, the Department of Labor used the precedent of *Walling v. Portland Terminal Co.* to develop a six-point test for whether an individual was a “trainee” rather than a covered employee under the FLSA, which it has publicized intermittently as an advisory letter (“*Reich v. Parker Fire Protection Dist.*, 992 F. 2d 1023 - Court of Appeals, 10th Circuit,” 1993). In 1994, 2004, and 2010, the Department of Labor published updated guidance applying the six-point test to internships, in the form of responses to letters and a fact sheet (*Fact Sheet #71: Internship Programs Under the Fair Labor Standards Act*, 2010). The six-point test as adapted to internships consists of the following stipulations:

1. 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;
2. The internship experience is for the benefit of the intern;
3. The intern does not displace regular employees, but works under close supervision of existing staff;
4. 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;

5. The intern is not necessarily entitled to a job at the conclusion of the internship;
and
6. The employer and the intern understand that the intern is not entitled to wages for the time spent in the internship. (“U.S . Department of Labor Fact Sheet # 71 : Internship Programs Under The Fair Labor Standards Act,” 2010)

The Department of Labor distinguishes the applicability of these criteria by the type of organization hosting the intern: if an “intern” at a for-profit organization does not fulfill all six criteria, according to the Department of Labor, the “intern” is in fact a covered employee and entitled to all the rights of employees under federal law, including the minimum wage (“U.S . Department of Labor Fact Sheet # 71 : Internship Programs Under The Fair Labor Standards Act,” 2010).

On the other hand, unpaid internships in the nonprofit or public sector “where the intern volunteers without expectation of compensation, are generally permissible” without needing to fulfill the same criteria (“U.S . Department of Labor Fact Sheet # 71 : Internship Programs Under The Fair Labor Standards Act,” 2010).

It’s worth noting that in other published versions of the Department of Labor’s six-point test, the words “educational environment” have been variously substituted with “vocational school” and “vocational school or academic educational instruction” (“FLSA2006-12,” 2006, “Trainees,” n.d.). However, the original court case quite specifically uses the word “vocational school” to make this point (“Walling v. Portland Terminal Co., 330 US 148 - Supreme Court,” 1947, 152).

The reason for this word choice in the original case is evident given the nature of the case: railroad technicians’ skills are not taught in academic institutions. In several

of the other cases in which *Walling v. Portland Terminal* has been used as a precedent, the work/training programs at the center of the dispute involve skills that would not be taught at an academic institution of higher education, such as those that most interns attend. These cases involve truck drivers of snacks (*McGlaughlin vs. Ensley*, 1989), machinists at GM (*Atkins vs. General Motors*, 1981), fire fighters (*Reich v. Parker Fire Protection District*, 1993), and flight attendants at American Airlines (*Donovan v. American Airlines*, 1981).

In the summer of 2013, the U.S. Federal District Court of Southern New York decided the first major case regarding unpaid interns², a class-action suit ultimately decided in favor of the interns: *Glatt v. Fox Searchlight Pictures*. The interns in this case, though college-educated or college graduates, performed “routine tasks” and “basic administrative work” for the film company in the production of the movie *Black Swan* (*Glatt v. Fox Searchlight Pictures*, 68). This case used the Department of Labor six-point test as adapted to interns from *Walling v. Portland Terminal*. The judge found that Fox Searchlight was the “primary beneficiary” and “obtained an immediate advantage” from the internships, and that the interns “displaced regular employees.” Thus, though the interns had not been guaranteed a job nor a wage, and whether they received training “similar to an educational environment” was inconclusive, the judge found that in aggregate, the interns should have been considered employees under the FLSA (*Glatt v. Fox Searchlight Pictures*, 58-75).

² In 1994, there was a out-of-court settlement for a lawsuit against an Atlanta-based PR firm that billed clients for unpaid interns services (*Gilbertson*, 1997). Thus, *Glatt v. Fox Searchlight Pictures* is the first case about interns to be decided by the courts, but not the first lawsuit about interns.

There are 20 other lawsuits under way by unpaid interns suing their former employers, about half of which commenced following *Glatt v. Fox Searchlight Pictures* (Suen & Brandeisky, 2013).

Internships as White-Collar, Professional Work

There are telling similarities and differences between apprenticeships and internships that help to illuminate the nature of the latter. Like internships, apprenticeships are also work/training experiences designed for individuals interested in entering a particular career. However, apprenticeships are very specifically designated for select manual occupations. Although there are some exceptions, most apprentices work in blue-collar occupations while most interns work in white-collar, professional occupations. This section explains how changing attitudes towards the professional occupations has influenced the acceptability of unpaid internships, even while apprenticeships are generally paid.

Towards the end of the 19th century and the beginning of the 20th, most apprenticeships offered low or no pay during training, with compensation only at the completion of training. However, during this period, blue-collar workers became increasingly involved with unions. As unions and states gained increasing control over compensation and pay standards, reducing the role for employer discretion, apprentices became more likely to receive pay throughout training (D. Jacoby, 1991). This trend was further established with the creation of the Bureau of Apprenticeships in 1937 under the Department of Labor, which registers and regulates approved apprenticeship programs. Pay rates, as well as the proportion of training and working hours, have been carefully regulated for apprentices since then. This regulatory

protection of apprentices likely reflects concern about the need to bolster the bargaining power of the blue-collar occupations (Kremen Roth, 1962).

In contrast, interns work primarily in the white-collar, professional sector. Nowadays, the concept of the “professional” is diffuse. One scholar defines professions simply as “the knowledge-based category of occupations which usually follow a period of tertiary education and vocational training and experience” (Evetts, 2003, p. 395). Given the importance of knowledge-based work, this definition includes a significant portion of the current American labor force. Historically, the concept of the professional was more restricted, with an emphasis on professional community and integrity: “professional” was not synonymous with what contemporary readers think of as a “knowledge-worker.” Instead, it denoted a person who had a special kind of expertise or license that demanded integrity due to its effects on the public good (Sullivan, 1995, p. 4).

Due to their expertise and the widespread belief in their contributions to society, the early professions were legally granted considerable autonomy to self-regulate in the early part of the 20th century. Eliot Friedson, one of the early leading scholars of professionalism as a sociological concept, dubbed this legal doctrine the “ideology of professionalism” (Friedson, 2001). They were also protected and prevented from engaging with market pressures, as contemporaries were concerned that exposure to market forces would interfere with professionals’ ability to act based on professional ethics. For example, in 1910 a court case determined that for-profit businesses that employed lawyers were not allowed to hire them out to third-party clients, on the basis that the employer’s pressure to earn money would muddy the lawyer’s incentives to

represent the third party faithfully. Similarly, supreme courts in both Massachusetts and Pennsylvania found in the 1930s that for-profit enterprises like department stores could not employ optometrists, since they might be pressured to work for the gain of the employer rather than for the purpose of the profession (DeChiara, 2009, p. 19–20).

The FLSA codified professionals as distinct from other types of employees in regard to minimum wage and overtime requirements. Under the law, neither apply to “any employee employed in a bona fide executive, administrative, or professional capacity” (29 U.S.C. 8 §213(a)(1)). The emphasis here, however, was on the overtime requirement, as one of the stipulations for an exempt employee was that the employee must receive a salary that was originally well over the minimum wage. In order to fulfill the exemption, the employee also was required to exercise some level of autonomy and have specialized education (*Fact Sheet # 17C*; 2008, *Fact Sheet #17D*, 2008; *Fact Sheet #17B*, 2008).

In 1935 the Supreme Court determined that states and municipalities could ban advertising on behalf of professionals, such as dentists running their own practices. It was thought that intense competition between professionals would erode the quality and commitment to the work (DeChiara, 2009, p. 21)

Finally, since professionals were considered to be focused on the public good rather than profit, the Supreme Court also ruled during this period that professionals were exempt from antitrust law (DeChiara, 2009, p. 21)

Professionals during this period comprised only a small subsection of the labor force. As evidenced by the “ideology of professionalism,” their position in society was secure and highly-respected, not to mention well-compensated.

The secure position of professionals and white-collar workers more generally is a likely explanation for the minimum wage and overtime exemption for these groups in the FLSA, which was written and passed during the 1930s and early 1940s (Hebert, 2003, p. 56; Rowan, 2000, p. 119). “White collar workers had clearly defined decision-making responsibilities, were closer to management, and were paid better than they are today” on average (Rowan, 2000, p. 119). Minimum wage and overtime regulation was instead oriented towards blue-collar, manual workers who were thought to have less ability to bargain effectively for themselves than their white-collar contemporaries (Rowan, 2000).

The belief that professional workers can successfully negotiate acceptable wages without legal protection may be one reason that unpaid internships in the professions have continued to exist. Another salient factor is that collegiality was a central feature of the practice of professionalism (Sullivan, 1995). Finally, internships were shorter work/training experiences than standard apprenticeships, which typically last a few years. All of these aspects contribute to the fact that pay for interns was not a major concern for the first half of the 20th century: Early interns likely expected to advance and join management fairly quickly, and raising a fuss about low or no wages for a short period would only hamper such advancement.

While the position of professionals and white-collar workers was secure during the first half of the 20th century, it began to erode over the second half both in law and in the labor market. In law, the “ideology of professionalism” began to crumble with the onset of consumerism and soon after, managerialism (DeChiara, 2009). Where previously, the courts had been concerned about the potential of competition to distort

individuals' commitment to professional ethics, in the second half of the century they began to be swayed by arguments that bringing market forces to bear would yield benefits for consumers. Thus, in 1975 the Supreme Court rescinded professionals' protected status with regard to antitrust law; in 1976 the Supreme Court reversed the ban on advertising by professionals; (DeChiara, 2009, p. 22) In the 1980s courts around the country began allowing for-profit corporations to employ physicians and lawyers on behalf of third parties.

During the same period, the concept of "managerialism" gained precedence in the law, following on the heels of consumerism. In these cases, there was a shift from the earlier protection of employees' professional opinion to a conflation of professionals with management, which resulted in situations like that of a nurse supervisor fired for complaining that the elderly home she worked in was understaffed, or the firing of a New York Times in-house physician for being unwilling to disclose employee medical records with management (DeChiara, 2009). Where in an earlier period, professionals' integrity was respected and protected as set apart from the corporation for which they worked, courts increasingly found it legitimate for companies to interfere with professionals' autonomy.

While professionals began to lose their privileged legal status, the economic reality for professionals and white-collar workers became increasingly competitive and less secure over the second half of the century. While college-educated professionals and white-collar workers did increasingly better in terms of wages than less-educated groups, layoffs and restructuring became more common for the highly educated (McGovern, Hope-Hailey, & Stiles, 1998; Valleta, 1999). The norm of commitment to

one company over a career – by employer and employee – began to weaken (Ackah & Heaton, 2004; Gunz, Evans, & Jalland, 2000; S. Jacoby, 1999). In particular, wage and overtime protection eroded: the expansion of the knowledge/service sector combined with the fact that the “salary test” for the FLSA white-collar exemption was not changed between 1975 and 2004 meant that many millions of people who should have had the right to overtime did not. It also meant that an exempt employee could effectively earn less than the minimum wage starting in 1990, assuming only a forty-hour workweek (Hebert, 2003; Miller, 2003).

This is the historical context within which internships went from being an uncommon college or postgraduate experience to a prerequisite for an entry-level job with many employers. This history will be valuable to keep in mind for the next section, in which I will consider the theories explaining why firms and students participate in internships.

Section 3: Patterns of Participation in Internships, Theory and Evidence

Based on the review of trends in internships in the previous chapter, it's clear that participation in internships by firms and students has grown by a great deal during the same period that the so-called "boundaryless career" has taken root, suggesting that many firms and students believe that there are benefits to internships for beginning a modern career. At the same time, there is controversy surrounding an alleged lack of accessibility of unpaid internships for students of relatively less advantaged backgrounds, with critics asserting that wealthier students have an unfair advantage in being able to take advantage of the assumed benefits of unpaid internships.

Given the growth in internships and the controversy over access, this section will consider which firms and students we would expect to participate in internships based on existing theory and evidence, as well as what factors are likely to affect or explain their choices in this regard.

Firms

Organizations in different sectors by nature have different goals. Private-sector organizations are focused on profits, while public sector and nonprofit organizations have goals beyond maximizing revenues and minimizing costs. Nevertheless, organizations in all three sectors benefit in pursuing their goals by minimizing costs and maximizing productivity, and the literature on internships and similar types of staffing choices suggests that internships may be an effective way for certain organizations to do both.

Starting from the perspective of the individual firm, one possible model for organizations' participation in internships may be that of on-the-job training as originally posited by Gary Becker. This model suggests that given perfectly competitive labor markets, firms will provide general training to workers if the workers take a wage cut (relative to the wage they would otherwise command in the labor market) equal to or greater than the cost of training (Becker, 1993, p. 34). Individual workers should be willing to take this temporary wage cut "since training raises their future wages" (Becker, 1993, p. 34). Firm-specific training, on the other hand, would be provided and paid for by the firm since it would recoup all the benefits while workers would not be able to command higher wages at other firms (Becker, 1993, p. 42). Most types of on-the-job training, however, are neither perfectly general nor perfectly specific, but fall somewhere within a middle range of types of training that offer workers the ability to command higher wages at certain but not all firms. In this scenario, workers will nevertheless be induced to pay for the cost of training given that firms cannot be certain of recouping the benefits of training (Becker, 1993, p. 49).

Modern revisions of Becker's on-the-job training model that account for imperfect labor markets, particularly in the form of transactions costs for firms and workers to switch, suggest that the costs of any type of training will in fact most likely be shared between the two actors. The proportion paid by firms will nevertheless vary by the degree to which the training is specific as compared to general (Acemoglu and Pischke, 1998; Acemoglu and Pischke 1999). Granted, this model assumes that employers intend to retain the employee beyond the period of employment, during which they can recoup the benefits of training.

Based on this model, another interpretation of internships might be that firms are informally or formally providing training to interns, and interns in turn are voluntarily accepting wage cuts in exchange. In this line of thinking, internships likely consist partly of training and partly of productive work – if internships solely consisted of training then by this model, interns would have to pay firms to take on interns.

Not all organizations will benefit equally from offering internships. Generally speaking, interns offer the opportunity for lower and more flexible labor costs for organizations. Firms may pursue flexible labor arrangements to minimize costs either through lower wages or lower benefits, by more precisely matching the quantity of labor to production need (Houseman 2001).

While smaller firms might want to capitalize on flexible labor arrangements, Houseman's evidence suggests that the "incidence of the use of flexible staffing arrangements increased with establishment size" excepting part-time workers (Houseman, 2001). Larger and more bureaucratized organizations are also more likely to use independent contractors than others (Davis-Blake, 1993). Most likely these patterns are due to larger firms' greater resources, in terms of administrative capacity as well as money. Both support the expectation that large firms will be likelier to hire more interns than smaller firms.

A second likely area of cost-savings that large firms are also probably more able to take advantage of would be internships as a screening mechanism. Hiring interns to evaluate potential full-time recruits may be a cost-effective choice: with such a trial period, organizations would be better positioned to choose the most productive employees than through a traditional but less information-rich process of screening and

interviewing potential employees without the risk of being stuck with an unproductive full-time employee (Houseman, 2001, p. 157).

For large organizations that frequently recruit and hire, there are potentially large savings to making the recruiting process more efficient. Likely for this reason larger organizations are more likely to establish bureaucratic processes and use “high-investment” approaches to recruiting and hiring than smaller organizations (Barber and Wesson, 1999, p. 842), such as having interns.

Considering these two basic benefits for firms also offers insight about which firms are likely to pay their interns. Firms that plan to convert the intern to an employee presumably care about offering a compensation level that will draw high-quality candidates and ensure that the intern is motivated and productive. Large firms, who seem to be the prime candidates for using internships for screening, must also consider the problems of shirking/monitoring in choosing a wage. Several theories suggest that in order to achieve these objectives, firms will pay an “efficiency wage” that is above the market-clearing level. In this case, we can predict that such firms will probably choose to at least pay interns rather than not pay them: The gains of finding a highly productive (as compared to mediocre or poor) employee is most certainly larger than the short-term cost of an intern’s pay.

Conversely, firms that are interested in having interns for the sake of flexible, cheap labor rather than for recruitment may be less concerned about maximizing the quality of the intern because the gain for them will be in reduced labor costs. The greatest reduction of labor costs in this case is, of course, an unpaid intern.

Just as analysis of these two topics suggested large firms were likely to have more interns overall, they also suggest that large firms, with more frequent hiring than small firms, may be more likely to pay their interns.

It's important to put this claim in context. Firms compete with other firms in their industries for labor as well as sales. Modern theories and empirical research find significant differences in wages for individuals due to their industry affiliation, controlling for other factors like human capital and job characteristics and even proxies for ability (Gibbons & Katz, 1992; Krueger & Summers, 1988). Along these lines, it seems likely that there will be industry-level differences in pay for interns analogous to the differences in relative wages for more advanced positions. In industries where entry-level positions are more highly paid, interns should be relatively higher paid as well. It's perhaps unsurprising, then, that industries like consulting, finance and engineering have famously high wages for interns while politics, film and media are infamous for high levels of unpaid internships (Peter, 2007), given that a typical starting salary for an entry-level investment banker might be around \$60,000 while a film production assistant or low-level congressional staffer are likely to earn about a third of that figure.

For internships like for other positions, then, much of such variation can likely be explained by simple supply and demand: unpaid internships may have many eager applicants and firms offering them may not value the interns' work very highly. However, although this may be a simple and logical explanation for industry differences, it may not provide the whole picture. Industry norms and traditions may play a role, too, although in analysis of data these are likely to be unobservable or difficult to distinguish from other industry characteristics.

Interns

The growing number of interns also suggests a widespread belief on the part of students that participation in internships offers benefits. For the purposes of discussing expected participation in internships by students, I will assume that internships do in fact provide returns to students (the next subsection will attempt to evaluate whether or not this is a reasonable belief). The nature of this return depends on what an internship is: if an internship functions as human capital investment, during which an intern develops skills that directly increase his or her marginal productivity, then the return will be in the form of higher lifetime earnings. If an internship does not directly furnish increased human capital, its benefits may instead function indirectly through increased social capital via networks. In this case, returns may also be in the form of higher earnings, but they may alternatively result simply in improved labor market outcomes such as more job offers or higher job satisfaction. Given these two main possibilities, I will consider which students would be expected to participate in internships.

In considering internships as a human capital investment, Yoram Ben-Porath's model of decisions to invest in human capital over individuals' life cycles is an essential starting point. It provides grounds for why individuals might choose to temporarily forego earnings in order to intern, as the on-the-job training model suggests they must in order to incentivize firms to offer internships. The model suggest that young people will invest more in human capital than older people, and will often do so by entirely foregoing earnings and focusing full-time on the development of human capital, whereas older workers will likely spend only a portion of their time investing in human capital. The former difference arises largely because the young have a longer period than the old to recoup the benefits of investments and the latter because, in theory, the

young have lower marginal costs for investment in human capital due to lower initial stocks of human capital so it makes more sense to focus on rapidly increasing the stock (Ben-Porath, 1967). Thus, this model predicts that younger people will participate in internships like other human capital investments at higher rates than older people.

A duly acknowledged simplifying assumption of Ben Porath's model is unlimited access to credit at the same rates for all individuals. In reality, access to credit is not unlimited or universal or available at the same cost to all individuals. Numerous researchers have found that credit constraints limit human capital investment in general (De Gregorio 1996; Meija 2003) and particularly investment in college (Flug, et. al. 1996; Lochner and Monge-Naranjo, 2010). While internships are certainly less expensive than college, the costs of doing an internship may nevertheless be prohibitive. This is likely particularly true of internship opportunities during the summer, which are more likely to be full-time positions than those undertaken during the school year (Table 3). Thus, such interns may have to cover housing, food, and travel costs. For a two to three month period, this could reasonably amount to several thousand dollars. Due to the limiting effects of credit constraints on human capital investment, we would expect individuals from wealthier families to participate in internships at higher rates than others, and perhaps especially to participate in full-time summer internships at higher rates than others.

Another widely documented factor in decisions to investments in human capital that the Ben-Porath model cannot explicitly account for is ability. Economic theory predicts that higher-ability individuals choose to invest in more human capital than others do, based partly on the assumption that higher-ability individuals benefit more

from human-capital investments (Acemoglu and Autor, n.d.). The tendency of higher-ability individuals to enroll at higher rates in college has been observed for decades, even within similar income groups (Lochner and Monge-Naranjo, 2010). Again, if internships function as a human capital investment, individuals of higher ability will most likely similarly participate at higher rates.

It's also possible that internships' presumed positive effect is not through the direct mechanism of increased marginal productivity, as implied by the Ben-Porath model. One oft-cited reason encouraging students to do internships is for the sake of building a professional network. There is evidence that use of networks is associated with positive labor market outcomes. Individuals who conduct their job search via personal contacts get more offers (Blau and Robins, 1990) and many if not most jobs are found this way, with estimates for the American labor market in recent decades ranging from 30 to 60 percent (Bewley 1999). The evidence on whether job search via contacts results in higher wages is mixed (Ioannides and Loury, 2004), but the prevalence of this search method makes it likely that many people believe networks are valuable.

Though many people may get their jobs through networks, the inherent differences in composition of networks mean certain types of people may have a more useful network than others. Higher socioeconomic status has been associated with larger and more diverse networks (Campbell, Marsden, Hulbert 1986) and greater ability to "reach high-status contacts" (Forret and Dougherty, 2001 referencing Lin, Ensel and Vaugh, 1981).

Much of the research on the labor market value of networks focuses on the use of individuals' existing networks rather than on efforts to expand and improve networks. Studying professionals and managers, Forret and Dougherty concluded that higher socioeconomic status is associated with engagement in networking behaviors, including “maintaining contacts, socializing, engaging in professional activities, participating in community, and increasing internal [organizational] visibility” (2001). Later, they also found that engaging in such networking behaviors was associated with increased compensation and promotions for professionals and managers (Forret and Dougherty, 2004).

If internships improved networks in such a way that individuals achieved better job search outcomes as a result, less advantaged students would seem to have stronger incentives to participate in internships than more advantaged students, who typically have relatively richer and broader networks to begin with. The evidence discussed above at the same time suggests that individuals from wealthier backgrounds are likelier to engage in networking behaviors. Additionally, internships themselves require a job search. If networks, in fact, are useful in conducting a job search, then wealthier students will necessarily have higher probabilities of securing an internship. This aspect might offset increased participation due to the incentivizing effect of larger gains for less wealthy students.

Interns, like firms, do not make decisions in a vacuum. A useful alternative or supplement to the idea that patterns of internship participation result from students individually calculating the net benefits of such an experience are Pierre Bourdieu's interrelated concepts of habitus and cultural capital, which have been widely studied by

sociologists in the context of educational decisions. Habitus refers to the set of unconsciously internalized behaviors, dispositions, and beliefs about how to function in society that individuals absorb as a course of their place in society, which Bourdieu posits is tied to class. Cultural capital, closely related to habitus, is the embodied knowledge of such dispositions and beliefs that has economic value based on its scarcity. Bourdieu argues that the dominant social structures in society reproduce themselves via education because they reward high levels of cultural capital – in other words, education rewards the dominant social class (Bourdieu, 48). As an example, youth who have white-collar, professional parents are more likely to have internalized the expected linguistic patterns and behaviors of professionals than those who do not. Moreover, “[b]ecause the social conditions of [cultural capital’s] transmission and acquisition are more disguised than those of economic capital, it is predisposed to function as symbolic capital, i.e., to be unrecognized as capital and recognized as legitimate competence...” (Bourdieu, 49). Rather than recognizing professional linguistic patterns as due to an individual’s social position – or conversely, recognizing an individual’s lack thereof as a result of their social position – such qualities are rewarded as “skills.”

A paper by sociologist Lauren Rivera about hiring processes at “elite professional services” firms (management consulting and investment banks) provides an empirical example of how class-related cultural capital might be regarded as “legitimate competence” (2012). She found that hiring resembled a process of cultural matching, even if the recruiters did not consciously or explicitly intend to do so, whereby recruiters preferred candidates that were culturally similar to themselves. In

particular, she found that “lifestyle markers” including extracurricular activities mattered for hiring choices (Rivera, 2012). Thus, recruiters with the habitus of a wealthy person may end up preferring candidates on the basis of qualities derived from cultural capital, though it may be unrelated to an individual’s economic potential.

While Rivera’s study suggests that this process within elite firms generally reproduces a workforce dominated by the cultural elite, it actually also offers the possibility of the reverse: she observed that recruiters from disadvantaged or simply different backgrounds (from the firms’ norm) were similarly likely to prefer candidates with qualities similar to themselves (2012). Thus, though the concepts of cultural capital and habitus lend themselves most obviously to the prediction of higher probabilities of participation by the wealthy, it’s possible that given the major expansion of internships in recent decades, they have in fact become less “elite,” with less cultural capital necessary to access the world of internships.

There are also more obviously concrete factors that might make certain students likelier to do internships than others. Major may play a role if certain fields are likelier than others to require on-the-job training. However, aside from the medical sciences and perhaps education, it's not clear which other majors necessitate more on-the-job training than others, especially given that many majors do not clearly denote an occupational path.

Additionally, certain colleges or departments within colleges also require students to perform internships as a part of the program. Based on a survey conducted by Intern Bridge, less than a tenth of schools require all students to complete internships, but more than half have at least one department that does so (P. Gardner,

2012). More subtly, career centers at colleges may emphasize and advertise internships, implicitly encouraging students to participate in internships, without offering students clarity on whether internships are worthwhile. In this case it's similarly unclear whether these actions would effect a general increase in participation for all students or whether certain populations would respond more strongly than others.

In sum, considering internships in terms of their benefits and means of accessing them, most factors point to the likelihood of individuals of wealthier backgrounds being likelier to participate in internships. Alternatively, the growth in the sheer number of internships may have made internships more accessible to individuals of various backgrounds. Human capital theory also suggests individuals of higher ability will do internships at higher rates. Other considerations of mechanisms that might increase participation do not suggest additional obvious differences.

The Question of Pay

While these speculations provide useful hypotheses about students' participation in internships generally, one of the important questions at hand is whether paid interns differ from unpaid interns. As discussed in the introduction, critics of unpaid internships believe that wealthier students have an advantage in terms of their ability to do unpaid internships and that requiring all internships to be paid would even the scales.

By implication, these critics seemingly believe that wealthier students are likelier than other students to do unpaid internships but not likelier to do paid internships. Such critics assume that given two internships with similar characteristics and rewards, a wealthier person would be indifferent between them while a less wealthy person would prefer the paid internship.

Whether such a scenario is realistic, however, depends on two factors: first, that similar internships differing mainly in terms of whether they are paid or unpaid are commonly found and second, that given the existence of such internships, a wealthier person and less wealthy person have the same likelihood of getting paid internships but different preferences for paid versus unpaid internships.

The first element, whether similar internships that differ only in terms of compensation are common, can be considered in light of the distribution of paid and unpaid internships across sector, industry, and firm size as demonstrated in the data from the National Internship and Coop Survey of 2009 conducted by the organization Intern Bridge (discussed in greater detail later in the chapter) and the Recruiting Trends 2011-12 survey, conducted by Michigan State University's College Employment Research Institute, of about 3,000 employers recruiting at colleges.

Considering the differences in rates of internships across sectors (Table 3), there are some striking patterns. Across all sectors and industries, 52% of internships are paid. Two-thirds of interns in for-profit firms are paid as compared to only one-third of nonprofit firms and 44% of those in government. While interesting, these differences may reflect only the differences in legal constraints for each sector.

Breaking this out further across industries also shows substantial variation in rates of paid interns as reported by students in the NCIS data (Table 3) and as reported by the employers themselves in the Recruiting Trends survey (Table 10). The only industries that have close to even proportions of paid and unpaid internships are information services and the federal government; all others have large majorities of one or the other. Thus, assuming individuals have strong preferences regarding what

industry they intend to enter, the choice of industry may be a key factor in the likelihood that they are able to secure a paid internship: in certain industries they are simply far more common than others.

Beyond the effect of legal constraints, a plausible explanation for this variation across industries may be due to differing growth rates. One telling clue to this can be found in the Michigan State University survey of companies recruiting at colleges. The survey asked whether the company had paid or unpaid interns or a mix of the two, and also whether the company planned to convert any of the interns to full-time employees. Of those that did intend to convert at least one intern, 72 percent had only paid interns, while 15 percent had a mix and 13 percent had only unpaid interns. In contrast, of the firms that did not intend to convert interns, 44 percent had only paid interns, while 37 percent had only unpaid interns (Table 11). This difference offers the possibility that firms are especially likely to seek paid interns when they wish to hire new employees, and in turn that firms that are likely to hire are likelier to have paid interns than others.

The choice of industry for an intern probably has some relation to the intern's major, though perhaps more for majors like engineering than history. In turn, previous studies have suggested that several demographic characteristics may be associated with the choice of major. The “gender gap” between males and females in terms of participation in science and math has been widely documented (Daymont and Andrisani, 1984; Eide 1994; Zafar 2009; Gerhart 1990). Socioeconomic status has also previously been shown to be positively associated with choosing business-related majors for men, but negatively associated for women (Leppel, Williams, and Laudauer, 2001). In another study, however, lower socioeconomic status was positively associated

for both genders with choosing majors in science, engineering, and business majors, which generally provide more lucrative career opportunities than others (Ma 2009).

Since different industries appear to have greater or lesser rates of paid internships, it seems unlikely that students with strong preferences will find paid and unpaid internships that are similar in other respects. This fact informs whether or not a wealthy student and a poor student have equal likelihood of getting a paid internship. Assume that two such students are both interested in a field dominated by unpaid internships. In the case of credit constraints, the poor student will be more constrained in seeking/participating in internships, so in such industries wealthier students are likely to have a higher rate of participation. In industries dominated by paid internships, poorer and wealthier students are may be equally likely to seek internships. However, given the evidence regarding networks in the previous section, the wealthy student and the poor student likely don't have equal chances of getting an internship. Thus, it's likelier that the wealthy student will be offered the paid internship. These two points suggests that we may observe that wealthier individuals may be likelier to participate in paid *and* unpaid internships than less wealthy individuals, contrary to the view of critics of unpaid internships.

In sum, there is not a great deal of literature to provide guidance on groups we might expect to be likelier to have paid internships, but it is clear that they are not evenly distributed independent of their characteristics; internships in particular industries are likelier to be paid than in others. Though it may be a stretch, the choice of college major may be a factor in whether students do paid internships, and that in turn may be influenced by demographic characteristics of the students. Females may be

likelier to have unpaid internships, given the “gender gap” in science and math. While socioeconomic status may have a relationship to choosing more lucrative career paths, the direction of this relationship is unclear based on the literature.

A Wage Premium for Internships

If participation in unpaid internships is tilted towards the wealthy and there is a wage premium for the experience, there could be reason to think that unpaid internships would contribute to inequality. At the same time, the existence of wage premiums would help to explain and justify individuals’ desires to pursue internships.

There are several channels through which internships might yield a wage premium in comparison to other students who complete college but do not do internships. In the simplest model, if an internship provides training to an individual, according to human capital theory the individual’s productivity will increase. In turn, he or she will theoretically command a higher wage in the labor market, presuming they learned skills that are transferable to other firms (Daron Acemoglu & Pischke, 1999). In practical terms, an intern might learn skills specific to an industry that are transferable to other firms in the same industry.

In an alternative model in which an internship provides little or no training, the internship could function as a signal of an individual’s motivation, work ethic, or other quality that would still yield higher wages without an actual improvement in productivity (D. Acemoglu & Autor, n.d.). From the firm perspective in this case, any experience is presumably better than no experience, other things equal.

A related but distinct channel could be that internships function as a signal of cultural capital (in contrast or in addition to obtaining internships with cultural capital,

as discussed earlier): firms may be willing to offer higher wages to individuals displaying their preferred behaviors and attitudes, as was the case in Rivera's study of "elite professional service firms" (Rivera, 2012). As discussed with reference to Bourdieu, it's possible that internships are an activity typically undertaken by those with a great deal of cultural capital and thus function as a marker of this capital.

Most likely, wage premiums would differ for paid and unpaid internships. Paid internships, given their desirability, are likely to be more selective and therefore draw higher-ability individuals. Though it's unlikely that subsequent employers would observe whether or not a given student had completed a paid or unpaid internship, paid internships may appear to have a wage premium due to the unobserved higher level of ability of paid interns.

Of the limited evidence on this topic, two notable studies by the John J. Heldrich Center for Workforce Development found that in a simple comparison, graduates who had done an internship (paid or unpaid) earned between 15 to 20 percent more than peers who had not done any internships for individuals graduating between 2006 and 2011 (Godofsky, Zukin, Ph, & Horn, 2011; Stone, Horn, & Zukin, 2012).³ Given what we know about the general patterns of participation, including higher levels of participation by wealthier students and those with higher grades, this wage differential may be due to other factors and not specifically attributable to having done an internship.

It's also worth putting the potential for a wage premium into context for this particular time period. Since the 2008 financial crisis, recent college graduates have had

³ In fact, it is the dataset used in this paper that I will use to more closely examine the possibility of a wage premium.

elevated levels of unemployment and lower levels of earnings compared to earlier graduates (Godofsky et al., 2011; Stone et al., 2012). Moreover, there is long-term evidence that entering the labor market during a recession has significant and persistent effects in reducing lifetime wages (Kahn, 2010). It may be that during a recession, getting an internship is particularly beneficial to individuals for getting on a better career trajectory.

Section 4: Analysis of Participation and Wage Premium

In this section, I consider data on the current and recent state of internships. To do so, I draw upon three datasets: the National Internship and Coop Survey of 2009 (NICS) conducted by Intern Bridge; the Work Trends Poll of Recent College and High School Graduates from the Heldrich Center of Rutgers University (WTP), and the Employer Recruitment Survey 2011-2012 from Michigan State University (ERS).

Description of the Data

I use the National Internship and Coop Survey of 2009 as one of two datasets to analyze student participation in internships. The survey was conducted by Intern Bridge in the fall of 2009. Intern Bridge reached out to about 200 college and university career centers, which in turn sent the survey by email to their constituencies. Over 27,000 individuals responded to the survey. The survey instrument includes basic demographic information about each respondent, including age, sex, race, and family income, as well as questions about the individual's school-related characteristics, including major, class year, GPA, school type, the size of the school, and various school policies about internships such as whether internships were required or not. The survey asked whether students had ever had an internship, and if they had, there were further questions regarding compensation and time commitment and the internship firm's sector, industry, and size.

Tables 1 and 2 provide an overview of the characteristics of all survey respondents and those respondents who have completed an internship, respectively. Overall, about 27 percent of students surveyed had completed an internship, including just over half of seniors. Of those who had done an internship, 52 percent had done a paid internship. In comparing Table 1 and Table 2, there are some notable contrasts. For

example, between the lowest category of income and the highest category, the rate of participation in internships ranges from 19 to 42 percent, while for participation in a paid internship (conditional on having done an internship), the range is only from 48 to 56 percent. There is similarly a much larger range of rates of participation for all internships than paid internships for class year, school type, and GPA, while the reverse is true for major and institutional requirement.

I use the Work Trends Poll from the Heldrich Center as a supplement to the NICS in studying student participation in internships and also to study the potential earnings benefits of internships. The sample size is much smaller than the NICS, including only 444 college graduates. The survey was conducted at various points between 2006 and 2011 by the private polling organization Knowledge Networks, which draws from a “national probability sample” and was later weighted to match 2012 Current Population Survey demographic benchmarks (Stone et al., 2012). Variables relevant to my study include whether each individual has had a paid or unpaid internship, family income, and major, though other demographic variables are not included in the dataset. One major benefit of the WTP is that it includes a variable for earnings, allowing analysis of whether internships yield wage premiums.

I use descriptive statistics from the Employer Recruitment Survey in order to supplement interpretations of student participation with information from the employer perspective. Conducted by Michigan State University’s Collegiate Employment Research Center in the 2011-2012 school year, respondents were reached by contacting the career centers of colleges who in turn contacted employers that recruit at those schools. There were over 5,000 responses. The survey asks employers about whether

they intend to seek an intern, and if so, whether they have paid interns, unpaid interns, or a mix of the two and whether they intend to convert any interns to full-time employees. The ERS also includes basic information about each employer, including its size and industry.

While I conduct most of my analysis using regression, there are certain key descriptive statistics from each dataset worth discussing first. In examining the descriptive statistics in Table 2, it is clear that the difference between part-time and full-time internships are significant in relationship to internship pay and should not be overlooked. It could not be studied as a factor in internship participation because it's not clear whether the hours worked represent a cause or a consequence of the compensation level. To illustrate the stark difference between the two, three quarters of all unpaid internships are part-time, while two-thirds of all paid internships are full-time.

The survey Recruiting Trends 2011-12, conducted by Michigan State University's College Employment Research Institute, offers a useful base of comparison and some additional insights about what internships are today from the perspective of employers, whereas the other two datasets are from students. The data from these employers, who it should be noted all already recruit at colleges, suggest that substantial majorities of firms in nearly every industry hire interns. On the other hand, the proportions of firms in different industries that have paid interns, unpaid interns, or a mix of the two varies greatly between industries and in the same directions as observed among students across industries (Table 3, Table 8). The size of the firm also appears to be highly relevant to whether or not the firm has paid interns (Table 9), with higher proportions of larger firms having only paid interns, though size appears to be

nearly irrelevant to whether or not firms hire interns in the first place (Table 8). Finally, a much larger proportion of firms – a 25 percentage-point difference – who intend to convert one or more of their interns to full-time employees also had solely paid interns as compared to those firms who hired interns but did not intend to convert any (Table 10). This suggests a potentially significant difference between paid and unpaid internships that the NCIS09, from the perspective of students, does not capture: that paid internships may be more likely to turn into a job.

Regression Analysis Predicting Internship Participation

This section provides the results of regressions predicting whether a person participates in any internship, and whether, conditional on having done an internship, a person has taken a paid internship, denoted by the dependent variables *intern* and *paid* respectively.

The key variable of interest in each case is the income of each student's family, as a way to test the hypothesis that there is a positive association between higher income (as a proxy for socioeconomic status) and participation in internships generally or paid internships specifically. In examining this relationship, I control for demographic characteristics of the student and the student's school that may be correlated with family income. In the regression predicting participation in a paid internship, I also control for the industry of the student's internship.

The models I use are as follows:

1. $intern = \beta_0 + \beta_1(\text{Family Income}) + \beta_2(\text{Female}) + \beta_3(\text{Nonwhite}) + \beta_4(\text{Financial Aid}) + \beta_5(\text{GPA}) + \beta_6(\text{Private School}) + \beta_7(\text{Humanities}) + \beta_8(\text{Soc. Sciences}) + \beta_9(\text{Institutional Requirement}) + \beta_{10}(\text{Institutional Requirement} * \text{Family Income})$
2. $paid = \beta_0 + \beta_1(\text{Family Income}) + \beta_2(\text{Female}) + \beta_3(\text{Nonwhite}) + \beta_4(\text{Financial Aid}) + \beta_5(\text{GPA}) + \beta_6(\text{Private School}) + \beta_7(\text{Humanities}) +$

$$\beta_7(\text{Soc. Sciences}) + \beta_8(\text{Institutional Requirement}) + \beta_9(\text{Institutional Requirement*Family Income}) + \beta_{10}(\text{Industry Dummies})$$

Family income in the NICS is coded in ranges of \$40,000-increments.

I convert this categorical variable to a continuous variable by replacing each category with the value of the midpoint of the range. The highest income bracket, which represents any income above \$160,000, I code as 1.5 times the midpoint of the previous bracket, or \$210,000. I divide the resulting value by \$10,000 so that a one-unit increase corresponds to an increase of \$10,000 in family income. If critics' of unpaid internships are correct in hypothesizing that higher family income is associated with increased likelihood of participation in unpaid internships, β_1 should be insignificant or positive in the first regression and negative in the second.

Due to ambiguity in the wording of the question about family income, I restrict my sample to individuals from ages 17 to 23, in the first to fourth years of an undergraduate degree. The question was worded such that individuals may have reported either their parents' income or their own income, if they lived independently of their parents. For the sake of this analysis, I am interested in the parents' income, as this is the presumed mechanism by which individuals of high socioeconomic status are likelier to do unpaid internships. Those individuals we would expect to be potentially independent and reporting their own income would be older members of the sample and/or college graduates and graduate students. Given that they have likely just entered the labor force or may still be studying full-time, we would also expect overrepresentation of such individuals in the low-income categories. In fact, when the sample is limited to students in the first through fourth years of college between the ages of 17 and 23, the proportion of individuals in the two lowest income categories

drops markedly, suggesting that many older or more advanced students did in fact report their own incomes. Mean family income is \$81,476 for the regression sample and \$73,024 when the restrictions on age and year of college are dropped. The restrictions appear only to affect the values of family income; all other student, school, and internship characteristics have essentially identical average values with or without restrictions, strengthening the interpretation that the only meaningful difference between the samples is that they answered the question about family income differently. The restricted sample is thus likely more appropriate for this regression, though I check these results by running the regression with the full sample too.

Female, nonwhite, and private school are straightforward dummy variables. GPA, like family income, was originally answered in intervals of approximately 1/3 a point. I converted this variable to a continuous variable in the same way as family income, setting each interval equal to the midpoint of its range. An increase of one GPA unit represents one full letter grade higher. Given the theory discussed in the previous section, I expect that higher GPA will be positively associated with participation in internships. I expect that same for attendance at private schools on the basis that they are in general more elite and selective. On the flipside, this aspect may be mitigated by the fact that private schools are more commonly oriented towards the liberal arts and less career-oriented than other schools. While it's not clear whether gender or race will have significant associations with internship outcomes, I include these variables because they are frequently correlated with educational and career outcomes.

Financial aid, while deceptively simple as a dummy variable, is not particularly useful in this case because it is not defined clearly; it is up to the respondent to

determine what qualifies. Moreover, different colleges and universities have different standards for financial aid. Though receiving financial aid might thus mean something quite different for different individuals, I chose nevertheless to include it considering that, imprecisely defined or not, it is likely to be correlated with family income and it also seems plausible that it could be correlated with participation in internships. For example, many schools have earnings requirements of their financial aid students, which could deter them from seeking internships.

Humanities, social sciences, and the excluded category, sciences, represent grouping of the 40 major categories included in the NICS into these three divisions. Tables 1 and 2 list both the groupings and the majors included for each.

Institutional requirement is a dummy variable representing whether a student's major department or school requires an internship. Institutional requirement*family income is an interaction term for these two variables. I expect institutional requirement to be positively associated with the regression on *intern*, but negatively associated with the regression on *paid* – a requirement should mean that students do internships at higher rates than they otherwise would. If they cannot obtain a paid internship, which I assume is more selective, they must accept an unpaid internship even if they would not in the absence of such a requirement.

For the sake of comparison, I repeat the regression using the WPT dataset for the few variables that it shares with the NICS: *intern*, *paid*, *faminc*, and *major*. Like for the NICS, *intern* and *paid* are dummy variables defined the same way. Family income was also reported in intervals, and I used the same approach to convert it to a continuous measure with one unit equal to \$10,000. Unlike the NICS, *major* is

defined in five groups rather than more numerous individual majors. This makes direct comparison of their coefficients tricky, but is nevertheless worth including.

Table 4 displays the results for the first model predicting participation in any internship. The first four columns show different specifications, all estimated with the NICS data, that in turn include a more complete set of control variables. The fifth column shows results estimated from the WTP data. Family income is positively correlated with participation in internships across all specifications and both datasets. For the NICS dataset with all variables included, an increase of \$10,000 in family income is associated with a 0.9 percentage point increase in the probability of doing an internship. Columns 2 and 5 show specifications that are most comparable across the NICS and the WTP, which include only family income and major groupings as independent variables. The coefficients on family income are intriguingly close: In the WTP, an increase of \$10,000 in family income is associated with a 1.6 percentage point increase in the probability of internship participation, while for the NICS it is 1.2 percentage points.

Being a race other than white and non-hispanic is associated with a 1.5 percentage point decrease in the probability of doing an internship. Receiving financial aid is associated with a 4.5 percentage point decrease in the chance of doing an internship, but the magnitude of this association is difficult to interpret as schools have different financial aid policies. GPA is positively associated with participation in an internship, with a one-letter grade increase in GPA associated with an 8 percentage point increase in the likelihood of internship participation. Attendance at a private school is associated with a 9.4 percentage point increase in chance of internship

participation. With reference to the excluded category of “science,” majors in social sciences and humanities are both positively associated with internship participation. Majoring in the social sciences and the humanities is associated with a 6 percentage point and a 2.2 percentage point increase in the probability of internship participation respectively, in comparison to the excluded category of science majors.

Table 5 presents results for the second model, predicting participation in paid as compared to unpaid internships. As in the previous table, the first four columns are estimated with NICS data and the last column relies on WTP data. Conditional on doing any internship at all, there is little evidence of an association between family income and participation in paid internships. The coefficient on family income is significant only when few variables are included. In particular, when industry variables are included, the coefficient on family income becomes insignificant. Similarly, the coefficient on family income is not significant for the WTP’s more limited model either.

In this case, being non-white is associated with a 4.9 percentage point decrease in the chance of doing a paid internship. Majoring in social sciences and the humanities are associated with a 16.9 percentage point and 21.3 percentage point decrease in the probability of having a paid internship as compared to science majors. Receiving financial aid is positively associated with doing paid internships, with a coefficient representing a 5.9 percentage point increase, though again, this does not lend itself to obvious interpretation. Attending a private school is associated with a 4.2 percentage point decrease in the chance of doing a paid internship. Having an institutional requirement to do an internship is associated with a 17.8 percentage point lowered chance of a paid internship. Several of the internships’ industries are associated with

significantly higher or lower probabilities of paid internships than the excluded category of business services. The R^2 value for this model is relatively high in comparison to previous specifications at 0.2.

To examine whether the demographic variables contribute to the explanatory power of these variables, one specification of the model (Column 4) includes only major and industry variables. The R^2 for this specification turns out to be nearly identical to Column 3, suggesting that the demographic characteristics of the student contribute very little to the prediction of participation in paid internships. Instead, the explanatory power is largely due to major and industry.

This result holds for the WTP data, as well. The R^2 for the specification that includes family income as well as major is the same as the R^2 that excludes family income.

Table 6 presents the estimated marginal effects of running these models using probit. Given that the dependent variables in these models are binary, it should not be taken for granted that linear regression was the appropriate choice. However, the marginal effects resulting from the probit regressions are nearly identical to those resulting from linear regression, suggesting linear regression was in fact appropriate.

In sum, the results of these two regressions across two datasets suggest a significant and robust association between family income and participation in any internship, but not for participation in paid internships. Likewise, GPA is a significant predictor of having done any internship, but is not significant in predicting whether an intern took a paid versus an unpaid internship. In other words, the results indicate that higher-income and higher-ability individuals have a larger chance of participating in

internships but these aspects have no bearing on whether such an internship will be paid.

Regression Predicting the Wage Premium for Participation in Internships

This section presents the results for models predicting the wage premium associated with participation in any internship and with participation in a paid internship, conditional on participation in any internship. The dependent variable in this case is current imputed hourly wages, while the key independent variable is previous participation in an internship or participation in a paid internship, respectively. These regressions are estimated only with data from the WTP survey.

The models I use are as follows:

1. $Hrlyall = \beta_0 + \beta_1(\text{Intern}) + \beta_2(\text{Family Income}) + \beta_3(\text{Major Dummies})$
2. $Hrlyall = \beta_0 + \beta_1(\text{Paid}) + \beta_2(\text{Family Income}) + \beta_3(\text{Major Dummies})$

Information on earnings is not collected in the same way for all survey respondents. Earnings were originally categorized in the survey by earnings type: those who earned a salary entered values for their annual salary in thousands of dollars, while those who were paid on an hourly basis entered the hourly wage as a value.

The reported values for salary range from \$4,000 to \$110,000, while reported hourly wages range from \$4 to \$220. Since the next largest value for hourly wages after 220 is 40, I exclude the value of 220 as an outlier.

In order to provide a unified measure of earnings across these two earnings types, I convert salaries into an estimated hourly wage. Assuming approximately 50 workweeks in a year and 40 hours per week, I divide annual earnings by the estimated 2000 work-hours per year. I generate a new variable equal to the actual hourly wages

for hourly workers and equal to the estimated hourly wages for salaried workers. This variable, called *hrlyall*, is the dependent variable in the following regressions. Given that the individuals were surveyed between 2006 and 2011, when respondents were ages 23 to 29, the earnings reflect individuals still early in their careers. For this imputed variable, I only include those individuals who have indicated that they are currently working full-time.

The other variables are defined in the same way as for the previous regressions, with the exception that family income is specifically directed as a question about the respondents' parents or guardians.

Table 7 shows the results of these regressions. Participation in any internship is associated with \$3.13 increase in hourly wage, while participation in a paid internship is associated with a \$7.05 increase in hourly wages. Family income is not significant in any of the specifications, which is somewhat surprising given widely documented correlations. The coefficients on major are significant in predicting wages following a paid internship, but not for having done any internship.

These regressions offer some evidence that there is a wage premium that follows participation in internships. In particular, it seems to suggest that for those who do participate in internships, paid internships are much more valuable than unpaid internships. However, the regressions predicting participation in the previous section suggest that there are numerous other variables that would be relevant to include, meaning that these estimates are likely to suffer substantially from omitted variable bias.

Section 5: The Costs, Benefits, and Possibilities of Internships

In the past three sections, I established the historical context for internships, presented relevant theory explaining firms' decisions to offer internships and individuals' decisions to participate, and analyzed empirically the determinants of internship participation. At this point, we can synthesize these various perspectives to evaluate two of the major concerns about unpaid internships: whether they contribute to inequality, and whether they contribute to firms' ability to "exploit" a weak labor market for recent college graduates. In turn, evidence-based judgment about these issues will allow for more thoughtful revisions to policy regarding internships.

The Inequality Hypothesis

As many in the media have pointed out, unpaid internships might be undesirable if wealthier individuals are likelier to participate in them to the exclusion of others. There are two main reasons this would be problematic. First, assuming internships are human capital investments and ability is equally distributed across society, disproportionate participation by wealthier individuals would be unlikely to maximize the development of human capital in the U.S. (Acemoglu & Autor, n.d.) since high-ability, low-income students would be less likely to participate in this investment. Second, unpaid internships represent gateways to certain sectors of society. Perhaps most significantly, unpaid internships abound in the public sector. If lower-income students do not have equal access to pursuing careers in the public sector, they are effectively restricted from access to positions of power. For a representative democracy,

a government system that favors access to power via wealth, even indirectly, is problematic.

Theory and evidence presented in Section 3 suggested that wealthier individuals would have higher rates of participation in all internships due primarily to being less constrained, having better networks, and more cultural capital. Combined with the likely wage premiums for participation in internships, these factors together predict that internships in general would provide a boost for wealthier students particularly as internships have come to be expected by employers.

My regressions for the NCIS and the Heldrich data seem to bear out these expectations, suggesting that the claim that unpaid internships specifically are inequitable is weak. Wealthier students have higher probabilities of completing internships in general, not specifically unpaid internships, other things equal. It appears that industry and major are important factors in determining the probability that an internship is paid or unpaid, while neither family income nor ability (as measured by GPA) appears to be.

These observations might lend credence to a conclusion that internships in general are inequitable. Positive associations between career-related outcomes and socioeconomic status for college students and graduates are not unique to internships, however; such a relationship holds for college degree attainment, graduate degree attainment, and salary, to name a few (Clotfelter, 1991; Elman & Angela, 2004; Eagle, 1989). To put it simply, students from higher socioeconomic status backgrounds are more likely to advance professionally in a variety of ways. Thus, it's possible that the positive association between family income and internship participation may be

reflective of this broader pattern rather than due to the existence or prevalence of unpaid internships. However, my results do not rule out the possibility that the existence or prevalence of unpaid internships contributes to the apparent inequity.

Moreover, given that my analysis represents a one-time slice of the internship population, it may well be that internships are becoming more, rather than less, accessible over time. There are more available, meaning they are almost certainly less difficult to obtain than they were in the past. A broader swathe of society attends college, expanding the diversity of the potential pool. Continued research on the patterns of participation will be needed to evaluate whether this is the case.

The high rates of part-time work among unpaid internships might be another factor mitigating expected differences between participation in paid and unpaid internships by family income. If students are able to participate in unpaid internships while holding down a paying job and/or while attending school, the direct costs of having an unpaid internship are most likely more manageable. It might still be true that wealthier students are more able to take full-time unpaid internships, but in this line of thinking, less wealthy students would not be shut out as some critics have asserted. At the same time, due to the limitations of my analysis it's not clear whether part-time or full-time internships are meaningfully different; it's possible that this difference is more salient to its function and effects than whether an internship is paid or not.

Although internships may be inequitable for reasons aside from the existence of unpaid internships, it's still possible that a reduction or elimination of unpaid internships result in more equitable patterns of participation if many poorer students are currently deterred from pursuing internships due to lack of pay. Given the theoretical

predictions and the empirical evidence, then, it's not clear whether a reduction or elimination of unpaid internships would meaningfully change patterns of participation.

The Exploitation Hypothesis

Given the analysis of earnings and internship participation in Section 4, it appears likely that individuals benefit from participating in unpaid as well as paid internships. For the limited dataset offered by the Heldrich Center, participation in internships was positively associated with higher earnings, with a greater wage premium for paid than unpaid internships. Additionally, surveys of employers indicate that many if not most expect graduates to have internship experience in order to be eligible for full-time entry-level jobs (NACE, 2012; Gardner, 2012).

However, benefits for participating individuals do not guarantee benefits for society as a whole. Society can benefit from internships in two primary ways, as suggested by discussion of relevant theory in Section 3: Internships can provide opportunities for increased human capital, which results in greater productivity of the workforce, and internships can promote greater efficiency in the recruiting and job search process. Hypothetically, unpaid internships could provide these benefits just as well as paid internships. Moreover, by law, for-profit employers are essentially required to function as human capital investments and prohibited from using internships as a source of cheap and flexible labor that they otherwise would pay for in the absence of unpaid internships. Whether firms use internships more in the former than the latter sense, however, may depend on the economic context.

It's here that concern about the "exploitation" of internships arises: internships can and are legally intended to provide social benefits, but there may be many

internships that do not function in this way. As discussed previously, firms are likely to provide training if they are able to partially benefit from the training through reduced wages and/or the possibility of keeping on a more productive employee (Daron Acemoglu & Pischke, 1999). At the same time, if they are able, theory suggests that corporations will shirk a promise to provide training in order to get more productive work from employees (D. Acemoglu & Pischke, 1998). In the middle of the last century, when internships were less common, internship employers may have had a harder time getting away with such a thing. Given that the power of white-collar professionals vis-à-vis corporations has been eroding in recent decades and more pressingly, that the labor market for young graduates has been highly competitive since the 2008 recession, firms are in fact well placed to demand substantial wage cuts (work for free) and not to provide training.

Similarly, the economic situation creates prime conditions for firms to use interns as free labor when they have no intention (or money) to hire them. In the worst scenario, this creates a situation where internships produce neither of the primary theorized benefits. Additionally, if it occurs extensively, it may mean that firms take on interns when they would have hired people if the option for unpaid interns did not exist. While firms may benefit from this situation, in the long run it is a “race to the bottom” where the loss to interns and society will outweigh the gain to firms. Alternatively, the greater ease of obtaining an internship than an entry-level job in a given industry may offer distorted signals about job prospects when youth might be more productively engaged in pursuing another industry.

The theory discussed in Section 3 predicts that these types of internships in their unpaid form will be more prevalent among smaller firms than larger firms, as they will benefit more from using internships for flexible labor than from investing in interns for recruitment purposes, particularly in tough economic times. Since the non-profit and public sectors are not remotely required to follow the legal requirements demanded of for-profit firms, it seems plausible that similar patterns would arise in these sectors, too.

Is it then “exploitative” if small, nonprofit, or public firms use unpaid internships as flexible labor with minimum training provided? “Exploitative” may be too harsh a word considering individual interns seem to benefit from their experiences. However, the use of internships in this way may reduce employment for young college graduates: if organizations can get work they need done for free via unpaid internships, they will avoid hiring additional employees. In this sense, these organizations may be exploiting young college graduates as a group if not individually. The potential for this effect grows alongside the expansion of internships, as interns collectively represent more hours of labor than ever before.

Policy Implications

Critics of unpaid internships desire a restriction or elimination of unpaid internships, particularly at for-profit firms.

My conclusions imply that the usefulness of restricting unpaid internships for making internship participation patterns more equitable is as yet unclear. It seems to not be as big of an issue of critics believe, but my regressions offer little insight into how behavior might change if most or all internships were required to be paid. If lower-income students are in fact financially constrained from participating in unpaid

internships, it's possible that an increase in the absolute number of paid internships could lead to an influx of lower-income interns. At the same time, it's unclear whether paid internships would in fact increase in absolute terms if unpaid internships were restricted: Though some firms might begin to pay their interns, other firms might simply drop their internship programs.

Those firms who choose to pay their formerly unpaid interns are likely to be either those who used unpaid internships as an investment in recruitment – in which case the gains to effective matching still outweigh the cost of wages – or those who used unpaid interns as flexible labor for work that they otherwise would have hired employees for. In this line of thinking, a restriction or elimination of unpaid internships would have clearer-cut implications for “exploitative” internships. Namely, firms would be forced to hire additional employees, whether it's those who would otherwise have completed an internship or others. Either way, this would be likely to increase employment – though probably on quite a small scale, given that the total labor hours of an intern are few relative to full-time employees.

It's worth noting that existing policy is designed in such a way that, if it is carefully and universally followed, should ensure that internships in for-profit companies do develop human capital (“similar to training which would be given in an educational institution”; “for the benefit of the intern”) and do not lead to increased unemployment due to using interns for productive work (“the intern does not displace regular employees”; “the employer...derives no immediate advantage”). It's possible that the current legal activity will serve to naturally reduce the numbers of inefficient internships by deterrence: the legal risks are looming larger. There are some indications

that such a change is under way, as numerous prominent companies in media have announced a switch to paying interns in the past couple of years, including Gawker, The Nation, Atlantic Media, Fox Searchlight Pictures itself, while Conde Nast abruptly ended its internships program last fall.

However, my findings also suggest the necessity of addressing internships in the nonprofit and public sectors as well, as they appear equally if not more likely to have “exploitative” internships. While there are currently campaigns for paid internships in the public sector, there are few signs that a similar one will arise for the nonprofit sector.

If in fact such changes do not emerge, more research (and better statistics) will be needed on this front to more fully evaluate whether and which types of unpaid internships are beneficial to American society, or whether it would be in the country’s best interest to further restrict its legality.

Tables

Table 1. Participation in Internships by Demographic and School Characteristics
The first two columns of this table display the proportion of students who complete internships for each demographic and school characteristics that is used in my regressions, for the regression sample and the full sample of respondents to the NICS. The third and fourth columns show the number of observations in each category for the restricted and unrestricted samples.

Class Year	% Completing Internships		Total Number in Category	
	Restricted	Unrestricted	Restricted	Unrestricted
Freshman	4.33	4.39	3165	3326
Sophomore	13.25	13	4061	4484
Junior	25.45	22.61	5178	6324
Senior	50.93	46.97	5407	6600
Fifth Year (College)		37.88		1861
Recently Graduated		37.91		1799
Graduate School		54.95		424
Family Income				
Under \$40,000	18.79	21.46	4635	8402
\$40,000 to \$80,000	24.49	26.52	5244	7084
\$80,000 to \$120,000	29.04	30.95	4529	5425
\$120,000 to \$160,000	33.73	34.96	1767	2054
Over \$160,000	41.63	43.17	1636	1853
School Type				
Community college (2-year)	5.95	15.72	168	388
Private college (<2000 students)	32.46	33.69	2988	3268
Private college (>2000 students)	34.17	34.39	4246	4810
Public college (<5,000 students)	24.87	28.32	591	897
Public college (5-15,000 students)	19.06	22.13	3337	5152
Public college (>15,000 students)	23.65	25.91	6481	10303
Major				
Humanities	26.46	26.94	3504	4795
Communication, Journalism	42.37	42.85	977	1244
Education	7.89	12.08	722	1142

English Language And	27.93	26.88	487	640
Foreign Languages, Li	23.44	20.94	256	339
Visual And Performing	23.86	25.82	767	1011
Social Studies	29.84	30.06	7461	
Business, Management,	32.12	32.13	3440	4924
Area, Ethnic, Cultura	43.48	37.93	115	145
History	24.81	24.73	258	376
Legal Professions And	23.67	24.71	245	348
Liberal Arts And Scie	26.15	25.08	413	650
Psychology	20.74	21.1	1331	1739
Public Administration	47.13	43.13	157	371
Social Sciences	33.75	33.88	1209	1703
Sciences	23.28	25.42	6846	9319
Agriculture, Agricult	28.46	29.53	246	298
Architecture And Rela	19.75	28.08	162	260
Biological And Biomed	17.23	18.69	1776	2135
Computer And Informat	30.89	30.1	505	804
Engineering	33.68	35.26	1716	2334
Health Professions An	11.15	15.85	1166	1722
Mathematics And				
Statistics	20.06	20.1	324	403
Physical Sciences	21.84	24.04	316	416
<hr/>				
Race				
African American or B	19.35	21.81	1008	1637
Asian American	25.41	25.98	1409	1782
Foreign	27.83	26.15	600	1044
Hispanic or Latino	18.65	21.57	1469	2105
Mixed-race	25.66	26.32	865	1235
Native American	15.66	20.48	83	166
White, non-Hispanic	28.41	29.52	12349	100
Unknown	35.71	26.92	28	52
<hr/>				
GPA, 4-Point Scale				
0 - 2.0	5.48	9.8	73	102
2 to 2.29	8.97	9.32	290	429
2.3 - 2.69	15.21	17.61	868	1249
2.7 - 2.99	20.19	21.9	2046	2913
3.0 - 3.34	26.33	27.2	4440	6069
3.35 - 3.69	29.06	29.61	5127	6828
3.7 - 4.0	30.46	31.79	4967	7228

Receives Financial Aid of Any Kind					
No	32.55	33.87	4897	7013	
Yes	24.42	25.3	12914	17805	
Institutional Requirement					
No	27.05	26.72	13019	17808	
Yes	25.56	30.24	4792	7010	
Total			17811	24818	

Table 2. Participation in Paid Internships by School and Demographic Characteristics, Conditional on Participation in Any Internship

The first two columns of this table display the proportion of students who complete paid internships, conditional on having completed any internship, for each demographic and school characteristics that is used in my regressions. The first column displays the results for the regression sample and second for the full sample of respondents to the NICS. The third and fourth columns show the number of observations in each category for the restricted and unrestricted samples.

Class Year	% Completing Paid Internship		Total Number in Category	
	Restricted	Unrestricted	Restricted	Unrestricted
Freshman	36.50	35.62	137	146
Sophomore	51.86	51.29	538	583
Junior	54.02	53.57	1318	1430
Senior	53.23	51.58	2754	3100
Fifth Year (College)		54.33		705
Recently Graduated		51.47		682
Graduate School		50.64		233
Family Income				
Under \$40,000	47.99	45.81	871	1803
\$40,000 to \$80,000	51.64	51.09	1284	1879
\$80,000 to \$120,000	54.83	55.15	1315	1679
\$120,000 to \$160,000	54.53	56.55	596	718
Over \$160,000	55.80	56.25	681	800
School Type				
Community college (2-year)	40.00	42.62	10	61

Private college (<2000 students)	45.57	45.32	970	1101
Private college (>2000 students)	49.07	48.91	1451	1654
Public college (<5,000 students)	60.54	62.99	147	254
Public college (5-15,000 students)	54.87	50.09	636	1140
Public college (>15,000 students)	59.43	56.31	1533	2669
<hr/>				
Major				
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Humanities	35.06	34.60	927	1292
Communication, Journalism	35.99	35.65	414	533
Education	42.11	30.43	57	138
English Language And Foreign Languages, Li	30.15	29.65	136	172
Visual And Performing	40.00	40.85	60	71
Social Studies	31.69	33.72	183	261
Business, Management, Area, Ethnic, Cultura	47.39	46.86	2226	3218
History	64.25	64.79	1105	1582
Legal Professions And Liberal Arts And Scie	30.00	32.73	50	55
Psychology	32.81	31.18	64	93
Public Administration	29.31	29.07	58	86
Social Sciences	36.11	31.29	108	163
Sciences	28.99	25.61	276	367
Agriculture, Agricult	29.73	32.50	74	160
Architecture And Rela	32.11	30.50	408	577
Biological And Biomed	70.70	68.09	1594	2369
Computer And Informat	57.14	60.23	70	88
Engineering	59.38	63.01	32	73
Health Professions An	55.56	52.63	306	399
Mathematics And Statistics	83.97	80.58	156	242
Physical Sciences	88.58	88.21	578	823
	34.62	31.14	130	273
	69.23	67.90	65	81
	76.81	79.00	69	100
<hr/>				
Race				
<hr/>				
Unknown	30.00	35.71	10	14
African American or B	47.69	43.98	195	357
Asian American	55.31	54.00	358	463
Foreign	46.11	46.89	167	273
Hispanic or Latino	46.72	46.26	274	454

Mixed-race	48.20	46.46	222	325
Native American	69.23	61.76	13	34
White, non-Hispanic	53.93	53.36	3508	4959
GPA, 4-Point Scale				
0 - 2.0	100.00	80.00	4	10
2 to 2.29	53.85	50.00	26	40
2.3 - 2.69	53.79	51.82	132	220
2.7 - 2.99	52.30	52.35	413	638
3.0 - 3.34	53.38	52.21	1169	1651
3.35 - 3.69	52.28	52.32	1490	2022
3.7 - 4.0	52.81	51.00	1513	2298
Receives Financial Aid of Any Kind				
No	52.82	52.51	1594	2375
Yes	52.81	51.53	3153	4504
Institutional Requirement				
No	57.58	58.10	3522	100.00
Yes	39.10	37.88	1225	100.00
Total	52.81	51.87	4747	6879

Table 3. Participation in Paid Internships by Internship Characteristics, Conditional on Participation in an Internship

This table presents characteristics of internships completed by individuals surveyed through the NICS, by the proportion of internships that were paid for each category.

Industry	% Paid Internships		Total Number in Category	
	Restricted	Unrestricted	Restricted	Unrestricted
Agriculture	71.05	71.5	152	207
Arts and Entertainment	28.33	30.16	420	578
Construction	73.12	72.54	93	142
Educational Services	49.09	42.51	330	542
Financial Services	73.7	72.88	270	355
Food and Lodging Services	65.35	64.49	101	138
Government (Federal)	48.17	49.52	218	315
Government (State and local)	32.82	35.82	323	537

Health Sciences	46.25	41.02	400	590
Information Services	44.83	44.72	261	362
Manufacturing	87.59	86.56	266	387
Not-for-profit organizing	29.34	27.38	801	1145
Oil, gas, coal	87.5	83.96	72	106
Professional services (e.g., accounting)	72.54	74.5	568	803
Real estate/leasing	67.39	59.38	46	64
Retail/merchandise	66.96	70.47	224	299
Transportation	82.95	80.6	88	134
Utilities/energy production	75.38	81.25	65	96
Wholesale	62.96	62.22	27	45
<hr/>				
Hours				
Part-time	33.16	33.21	2479	3141
Full-time	74.39	74.12	2265	3734
<hr/>				
Organization Type				
For-profit	65.05	65.68	2146	3648
Non-profit	35.38	32.21	1447	2077
Government	43.15	44.01	693	1148
<hr/>				
Length of Internship				
Up to 4 weeks	25.74	25.31	2002	248
2 to 3 months	56.08	55.7	2120	2767
3 to 5 months	47.98	46.38	1509	2235
5 to 6 months	51.43	50.19	315	521
7 to 9 months	56.78	50.35	236	430
10 to 12 months	65.43	60.2	162	295
More than a year	69.54	72.27	197	376
<hr/>				
In School				
Yes	42.77	42.23	2626	3380
No	60.97	61.98	2116	3493
<hr/>				
TOTAL	52.81	51.87	4747	6873

Table 4. Regression Predicting Participation in Internships

This table presents results for regressing family income and other control variables on the dependent variable intern. Columns 1 to 3 show the results using the NICS dataset

with different sets of controls. Column 4 shows the results for the same regression with the WTP dataset. The regressions in Column 2 and 4 are arranged to be comparable. The numbers in parentheses are t-values.

	NICS			WTP
	1	2	3	4
Family Income	0.012 (19.05)**	0.008 (12.11)**	0.009 (11.70)**	0.016 (2.43)*
Female	0.007 -1.01	-0.01 -1.35	-0.01 -1.34	
Non-white	-0.026 (3.63)**	-0.014 (1.97)*	-0.015 (2.00)*	
Fin. Aid		-0.045 (5.65)**	-0.045 (5.66)**	
GPA		0.08 (10.03)**	0.08 (10.00)**	
Private		0.094 (13.80)**	0.094 (13.76)**	
Maj-Soc		0.06 (8.26)**	0.06 (8.29)**	
Maj-Hum		0.021 (2.28)*	0.022 (2.35)*	
Inst. Req.			0.017 -1.33	
Inst. Req*Family Income			-0.003 (2.02)*	
STEM				0.068 -0.83
Soc. Sci.				0.111 -1.25
Humanities				-0.027 -0.3
Pre-professional				0.19 (2.32)*
_cons	0.175 (20.63)**	-0.089 (3.15)**	-0.093 (3.25)**	0.334 (3.96)**
R ²	0.02	0.05	0.05	0.04
N	17,811	17,811	17,811	384

* $p < 0.05$; ** $p < 0.01$

Table 5. Regression Predicting Participation in Paid Internship Conditional on Participation in Any Internship

This table displays the results for regressing family income and demographic, school, and industry variables on the dependent variable paid, which indicates whether an individual who has done an internship has done a paid internship. The first four columns present results from the NICS; the last two present results from the WRP. Column 2 and Column 5 are intended to be comparable, as are Column 4 and 6, both of which exclude demographic characteristics to demonstrate the explanatory power of major and industry. The numbers in parentheses are t-values.

	NICS			WRP		6
	1	2	3	4	5	
Family Income	0.003 (2.48)*	0.004 (3.56)**	0.001 -0.93		0.003 -0.41	
Female	-0.136 (8.74)**		-0.011 -0.72			
Non-White	-0.033 (1.97)*		-0.049 (3.19)**			
Maj-Soc		-0.235 (14.92)**	-0.169 (10.48)**	-0.174 (10.84)**		
Maj-Hum		-0.356 (17.94)**	-0.213 (9.94)**	-0.217 (10.21)**		
Fin. Aid			0.059 (3.84)**			
GPA			0.005 -0.28			
Private			-0.042 (3.11)**			
Inst. Req.			-0.178 (6.45)**	-0.169 (6.82)**		
Inst. Req.*Family Income			0.006 (2.35)*	0.006 (2.41)*		
Agriculture			-0.036 -0.88	-0.033 -0.8		
Arts and Entertainment			-0.32 (10.60)**	-0.322 (10.66)**		
Construction			-0.01 -0.2	-0.001 -0.02		
Educational Services			-0.143	-0.15		

			(4.56)**	(4.81)**		
Financial Services			0.077	0.07		
			(2.30)*	(2.09)*		
Food and Lodging			0.039	0.049		
			-0.8	-1		
Government, Federal			-0.209	-0.21		
			(5.89)**	(5.89)**		
Government, State/Municipal			-0.332	-0.33		
			(10.63)**	(10.53)**		
Health Sciences			-0.26	-0.262		
			(8.88)**	(8.98)**		
Information Services			-0.179	-0.181		
			(5.28)**	(5.31)**		
Manufacturing			0.116	0.124		
			(3.46)**	(3.74)**		
Not-for-profit organizing			-0.338	-0.343		
			(13.51)**	(13.80)**		
Oil, Gas, Coal			0.098	0.108		
			-1.74	-1.93		
Real Estate/Leasing			0.032	0.038		
			-0.47	-0.55		
Retail/Merchandi ng			0.027	0.028		
			-0.76	-0.79		
Transportation			0.075	0.089		
			-1.45	-1.73		
Utilities/Energy			0.012	0.01		
			-0.21	-0.18		
Wholesale			-0.035	-0.03		
			-0.4	-0.34		
STEM					-0.169	-0.17
					-1.65	-1.66
Soc. Sci.					-0.534	-0.535
					(4.88)**	(4.90)**
Humanities					-0.446	-0.444
					(3.79)**	(3.79)**
Pre-professional					-0.632	-0.637
					(6.33)**	(6.44)**
_cons	0.601	0.668	0.799	0.829	0.75	0.778

	(32.06)**	(41.06)**	(11.81)**	(40.90)**	(6.99)**	(9.37)**
R^2	0.02	0.08	0.2	0.2	0.23	0.23
N	4,747	4,747	4,747	4,747	206	206

* $p < 0.05$; ** $p < 0.01$

Table 6. Marginal Effects of Probit Regressions on *Intern* and *Paid* for NICS and WTP

This table presents the marginal effects calculated from probit regressions on intern and paid, respectively. Columns 1 and 2 are the results for the NICS while columns 3 and 4 show the results for the WTP. The marginal effects, particularly for the key variable of family income, are nearly identical to those found using OLS (Tables 4 and 5), suggesting OLS was appropriate.

	NICS		WTP	
	<i>Intern</i>	<i>Paid</i>	<i>Intern</i>	<i>Paid</i>
	1	2	3	4
Family Income	0.008 (11.25)**	0.002 -0.94	0.017 (2.42)*	0.003 -0.35
Female	-0.012 -1.56	-0.014 -0.76		
Non-White	-0.018 (2.35)*	-0.062 (3.40)**		
Maj-Soc	-0.046 (5.50)**	0.072 (3.92)**		
Maj-Hum	0.088 (10.39)**	0.005 -0.23		
Fin. Aid	0.095 (13.44)**	-0.051 (3.16)**		
GPA	0.061 (8.05)**	-0.198 (10.51)**		
Private	0.023 (2.37)*	-0.241 (10.19)**		
Inst. Req.	0.017 -1.21	-0.204 (6.45)**		
Inst. Req.*Family Income	-0.003 -1.82	0.007 (2.24)*		
Agriculture		-0.049 -0.98		
Arts and Entertainment		-0.328		

	(11.34)**		
Construction	-0.015		
	-0.25		
Educational Services	-0.155		
	(4.38)**		
Financial Services	0.085		
	(2.17)*		
Food and Lodging	0.038		
	-0.67		
Government; Federal	-0.224		
	(5.94)**		
Government, State/Municipal	-0.338		
	(11.76)**		
Health Sciences	-0.279		
	(9.38)**		
Information Services	-0.191		
	(5.14)**		
Manufacturing	0.179		
	(4.40)**		
Not-for-profit organizing	-0.347		
	(13.97)**		
Oil, Gas, Coal	0.164		
	(2.29)*		
Real Estate/Leasing	0.032		
	-0.41		
Retail/Merchandising	0.027		
	-0.64		
Transportation	0.098		
	-1.53		
Utilities/Energy	0.016		
	-0.22		
Wholesale	-0.044		
	-0.43		
STEM		0.068	-0.173
		-0.83	-1.62
Soc. Sci.		0.11	-0.404

			-1.27	(6.12)**
Humanities			-0.029	-0.343
			-0.31	(4.76)**
Pre-professional			0.188	-0.533
			(2.41)*	(7.70)**
<i>N</i>	17,811	4,747	384	206

* $p < 0.05$; ** $p < 0.01$

Table 7. Regression Predicting Wages by Participation in Internships

This table presents the results of regressions using the WTP data to predict hrlyall, an imputed measure of hourly wages. The first and second columns show the results with intern as the key independent variable, while the third and fourth columns have paid as the key independent variable, which is conditional upon having done an internship. Participation in both internships and paid internships specifically is positively associated with salary after graduation, though the magnitude of the coefficient on paid is greater. Values listed below coefficients are t-values.

	1	2	3	4
intern	2.942 (2.09)*	3.129 (2.30)*		
paid			8.14 (3.57)**	7.054 (2.71)**
faminc	0.289 -1.63	0.204 -1.19	0.037 -0.14	-0.01 -0.04
STEM		3.404 -1.51		7.202 -1.83
Soc. Sci.		-2.275 -0.91		2.255 -0.51
Humanities		-4.964 -1.86		-2.17 -0.44
Pre-prof.		-3.213 -1.39		1.015 -0.24
_cons	14.05 (8.87)**	15.515 (6.34)**	15.903 (6.98)**	14.045 (3.16)**
R^2	0.05	0.16	0.15	0.24
<i>N</i>	156	156	80	80

* $p < 0.05$; ** $p < 0.01$

Table 8: Employers Seeking Interns, by Industry and Size

The following table represents data from the Employer Recruitment Survey conducted by Michigan State University's College Employment Research Institute during the 2011-12 academic year. In particular, the table presents the proportion of employer firms that seek interns by industry and firm size.

	Seeks Interns	Number
Industry		
Agriculture	85.87	92
Mining and Oil	87.76	49
Utilities	81.48	54
Construction	63.81	105
Manufacturing	77.06	619
Wholesale	59.49	79
Retail	65.77	111
Transportation	58.75	80
Information	78.28	198
Finance	73.84	344
Real Estate/Leasing	71.05	38
Professional Services	71.41	997
Administrative Services	63.46	52
Education	44.05	370
Health	63.98	186
Arts and Entertainment	87.06	85
Accomodations	80.95	63
Nonprofit	83.89	416
Repair	52.38	21
Government	70.38	280
Size		
1 to 9	73.49	860
10 to 100	65.07	2834
101 to 500	69.25	1886
501 to 1000	74.83	588
1001 to 5000	75.56	1080
5000+	81.79	1230
TOTAL	71.29	4239

Table 9: Employers with Paid or Unpaid Interns or Both, By Industry

The following table represents data from the Employer Recruitment Survey conducted by Michigan State University's College Employment Research Institute. It displays, by industry and firm size, the proportion of employers responding that have only paid interns, only unpaid interns or a mix of the two.

Industry	Paid	Mixed	Unpaid	Number
Professional Services	79.89	13.51	6.6	696
Manufacturing	92.58	6.14	1.28	472
Nonprofit	20.99	27.41	51.6	343
Finance	80.16	11.9	7.94	252
Government	48.96	22.4	28.64	192
Education	27.22	30.38	42.4	158
Information	53.29	19.74	26.97	152
Health	29.2	22.12	48.68	113
Agriculture	87.34	10.13	2.53	79
Arts and Entertainment	23.29	32.88	43.83	73
Retail	72.22	15.28	12.5	72
Construction	96.97	3.03	0	66
Accommodations	61.22	16.33	22.45	49
Wholesale	80.85	10.64	8.51	47
Transportation	82.98	14.89	2.13	47
Utilities	95.45	2.27	2.28	44
Mining and Oil	100	0	0	43
Administrative Services	62.5	25	12.5	32
Real Estate/Leasing	61.54	26.92	11.54	26
Repair	54.55	45.45	0	11
<hr/>				
Size				
1 to 9	33.01	27.83	39.16	1162
10 to 100	57.36	20.27	22.37	664
101 to 500	67.9	14.81	17.29	513
501 to 1000	70.42	13.15	16.43	487
1001 to 5000	78.3	11.22	10.48	311
5000+	87.22	8.32	4.46	132
TOTAL	65.86	16.14	18	2967

Table 10. Employers with Paid or Unpaid Interns or Both, by Intent to Convert Interns to Full-time Employees

Drawn from the Employer Recruitment Survey, this table shows the proportions of employers that have paid or unpaid interns or a mix of the two by whether or not they intend to recruit one or more interns to work full-time.

Intent to Convert Some Interns to Full-Time	Paid	Mixed	Unpaid	Number
No	44.81	17.97	37.22	395
Yes	72.1	15.05	12.85	1,914
Total	67.43	15.55	17.02	2,309

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