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ISSUE BRIEF:

Internship challenges and policy recommendations

Recommendations:

- 1** Create financial incentives for employers to expand internship opportunities.
- 2** Establish statewide internship coordination systems.
- 3** Encourage greater private sector investment.
- 4** Eliminate the exemption that allows for unpaid government internships.
- 5** Ensure all states have established guidelines for providing academic credit in high school for internship work experience, and change graduation requirements where necessary.

EXECUTIVE SUMMARY

Internships are a valuable way for students to gain critical skills and explore their career aspirations more fully. Research recently completed by American Student Assistance® (ASA) found that 85 percent of employers consider past internships as relevant work experience when considering applicants for full-time employment, and approximately one-third of employers offer their interns full-time positions¹. According to the National Association of Colleges and Employers, a college internship increases a student's earning potential by about \$2,000 once they enter the job market².

While internships provide great opportunities for students to experience the real-world job market and train for future employment, access to high-quality, paid internships is unequal, with student demand for internships far outpacing supply. Further, many employers struggle with the intern recruitment and management process – with small companies struggling the most.

Policies at the state and/or federal level are needed to:

- 1. Encourage additional government investment in internships as a practical workforce development strategy;**
- 2. Make internships more broadly available and accessible to students;**
- 3. Decrease the financial and administrative burden of internships on employers.**

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WHAT THE RESEARCH TELLS US

American Student Assistance, a national nonprofit committed to helping students make informed decisions about their higher education and career opportunities, recently conducted multiple surveys on this topic. The studies sought to better understand the internship landscape and shed light on the opportunity to improve internships as a valuable and high-quality career exploration tool.

Results show:

College students have more internship opportunities than high school students.

Companies reported 76 percent of their internships went to college seniors, vs. just 37 percent to high school seniors³. Career exploration during the high school years can help students make more informed decisions about choosing a post-secondary path, saving them time and money in their higher education choices. It is imperative to expand internships to high school students.

Many college students are likely to look for an internship at some point in their college career.

Recognizing the high value employers place on internships during the recruitment process, student demand for internships is high. In ASA's nationwide survey of current undergraduate students, 83 percent said that they either already have internship experience or that they're likely to look for an internship before they finish their education⁴.

Income is the primary reason for getting an internship.

In addition to valuable on-the-job experience and resume-building, 47 percent of students said that work experience during their college years is an important source of income. A much smaller percentage, 24 percent, said the primary driver for having a job or internship was the opportunity to work in a field they're interested in pursuing after college⁵ – underscoring a real opportunity to better align students' work experience during the college years with their ultimate career goals.

Economically-disadvantaged students have fewer internship opportunities.

While many students look to internships for income, unpaid internships represent 43 percent of all internships in the country⁶. ASA's research found that 10 percent of small companies do not pay their interns or offer any course credit. In effect, this limits internship opportunities to more economically-advantaged students who do not rely on internship pay to cover college costs or living expenses, or who do not seek an internship primarily for income. These inequities may persist long after graduation: research has found that students who had unpaid internships had lower starting salaries than students who had paid internships⁷.

There's room for internship program expansion.

Only 35 percent of companies increased their number of interns year-over-year, and 10 percent actually decreased their internships despite strong demand by students. HR professionals note that out of the multitudes of applicants, less than a third of candidates are offered an internship⁸.

Many employers struggle with administering an internship program.

Fifty-five percent of surveyed companies cited determining the best intern recruitment process as somewhat or very challenging; 44 percent cited difficulty securing funding to hire qualified interns; and 44 percent have a hard time maintaining internal support for the internship program⁹.



Companies with less than 50 employees are the least likely to employ interns.

Forty-nine percent of small companies have an internship program, while close to 90 percent of companies with more than 50 employees do. Of small companies with interns, only 45 percent have a dedicated internship program manager, compared to around 70 percent of larger companies. Companies with no internship program, meanwhile, say they have challenges around determining the best recruitment process to find quality interns, funding an internship program, and determining suitable work for interns¹⁰.

Employers with internship programs see them as a good training experience for future employees.

Studies have overwhelmingly shown that employers use internships to meet their own workforce needs. ASA's research found that 62 percent of employers look to internships to fill the entry-level employment pipeline¹¹.

Hiring managers view internship experience as a quality form of work experience when considering an applicant.

Many employers indicate that an applicant having internship experience positively impacts their consideration and evaluation. The majority of employers in ASA's survey, 85 percent, consider past internships as relevant work experience when considering applicants for full-time employment; 67 percent are more likely to hire candidates who have had an internship; and 50 percent view internship experience as important¹².

Policy recommendations

1. Create financial incentives for employers to expand internship opportunities.

To help companies better afford an internship program and to incent corporate cultures that value intern experience, states should provide a series of financial incentives, from tax credits to grant funding, to support the ability of employers to provide paid internship programs. For example, states could provide a corporate income tax credit up to a specified amount for a qualified business that hires interns. The credit could be restricted to qualified businesses in certain industries as dictated by state or local workforce needs, or the credit could be structured in such a way as to incent small businesses in particular or the hiring of high school interns. Such a program existed in the state of Minnesota for a number of years before being eliminated by the legislature. The program allowed for a Minnesota employer to receive up to a \$2,000 tax credit per student intern who completed an internship program. A similar program is in place in the state of New York and several states have introduced legislation to establish these programs, including Florida¹³, Illinois¹⁴ and Virginia¹⁵.

Alternatively, states could establish an internship fund and grant money to companies looking to implement or support a paid internship program. Such programs exist in many states, including Nebraska, Colorado, Indiana, Massachusetts and Iowa. In Nebraska, the Intern Nebraska Grant Program (InternNE) reimburses up to 50 percent of an intern's wages, up to \$5,000 per internship (up to 75 percent and \$7,500 per internship if the intern demonstrates financial need for a federal Pell Grant)¹⁶. Similarly, in Colorado¹⁷ and Massachusetts¹⁸, reimbursement is provided to employers to incent hiring interns in specific industries like Advanced Manufacturing or Robotics. The Iowa program caps its reimbursement at \$3,100, and requires a 1:1 employer match for wages paid to the intern¹⁹.



Whatever the setup, these programs allow for the state system to encourage and support the growth of internship programs while allowing the employer the control to establish the internship that best meets their needs.

2. Establish statewide internship coordination systems.

There is a lack of information available for students to access internships, and for employers to find interns from the high school and higher education levels. A centralized statewide intermediary, like that established in Rhode Island through Skills for Rhode Island's Future, would help connect students, employers, secondary and post-secondary schools, community-based organizations, youth centers and support services to appropriate opportunities. Intermediaries can help employers with many of the time-consuming administrative burdens of running an internship program, such as developing job descriptions, screening applicants, hosting an intern boot camp orientation, supporting intern supervisors and handling payroll and liability logistics. As proposed by the Rhode Island Governor's Workforce Board²⁰, an intermediary can be one entity or a partnership between several entities, including nonprofits, two- and/or four-year institutions of higher education, local workforce boards, industry associations or councils, labor unions, for-profit organizations, local government, or local or regional economic development organizations. While the Rhode Island program focuses on high school internships, intermediaries are a growing solution for expanding apprenticeships²¹ and are broadly transferable to internships at the collegiate level as well. States should support such networks and provide the funding necessary to ensure that they can thrive.

3. Encourage greater private sector investment.

Public-private partnerships are another strategy to expand investment in internships. In Virginia, lawmakers have proposed the creation of an Innovative Internship Fund²² that would award competitive grants to public institutions of higher

education that partner with at least one private sector entity. The entity must agree to provide matching funds to create internship programs for students enrolled at the institution, with the aim of furthering the state's workforce goals.

Similarly, foundations and for-profit companies should be encouraged to fund internships in high-need sectors. Through its Internship Challenge, the Massachusetts Life Sciences Center (an economic development and investment agency) enables small companies engaged in life sciences throughout the Commonwealth to hire 500 college students and recent graduates as interns annually, by connecting employers with prospective candidates and reimbursing intern stipends²³.

4. Eliminate the exemption that allows for unpaid government internships.

Many young people cannot afford to take an unpaid internship, even if the opportunity may have a long-term positive impact on their work-experience and future employment prospects. It is important to expand paid internship opportunities and increase the ability for students at all economic levels to have access to these opportunities.

Beginning in 2018, the U.S. Department of Labor adopted a seven-factor "primary beneficiary" test²⁴ to determine whether an intern is entitled to payment under the Fair Labor Standards Act. The test is used to determine which party of the intern-employer relationship is the primary beneficiary. Because of the nature of the work done, it is very rare for a for-profit entity to have an internship program that does not benefit them in some way, and so most for-profit entities must pay their interns. However, nonprofit and government entities have an exemption from this standard and are generally allowed to have employees volunteer their time for unpaid work. In addition, Congress and the Executive Branch of the Federal Government are exempt from the Fair Labor Standards Act, meaning internships for these two entities can be unpaid at no penalty to the employer.



The Federal Government should remove the exemption from the Fair Labor Standards Act and require payment for government internships. ASA's research showed that 47 percent of students sought work during college to fill a financial need. Without paid internships available in government entities, those internships would be restricted to students who could work without pay—both limiting opportunity for students and restricting diversity in the applicant pool for government employers. To build a government reflective of our nation's diverse population, we need a pipeline of government workers from all walks of life.

5. Ensure all states have established guidelines for providing academic credit in high school for internship work experience, and change graduation requirements where necessary.

Research shows that, despite being a valuable learning experience that may better inform higher education choices, internships for high school students are limited. This is partially because of the time constraints a high school student must conform to and the limited availability of high school credit for work-based learning. A few states have taken steps to ensure that all high school students are able to access internships and have the work experience count toward high school credit, but more must be done to ensure these opportunities are available to all students. States should look to change high school graduation requirements to allow for internships to count toward high school credit.

There are some states that have already moved in this direction. For example, the Career Development Incentive Program in Colorado established a framework for individual school districts to help high school students identify work-based learning opportunities and establish the criteria by which these programs will meet the necessary requirements to receive high school credit²⁵. Similarly, last year Michigan enacted a law directing all local school boards to “grant high school credit to a pupil in grades 9 to 12 for the completion of an internship or work experience if the pupil attends the internship or work experience at least 4 hours per week for the same number of weeks as

are necessary to earn credit in a traditional course in that school district or public school academy²⁶.” The law also outlines the specific criteria needed to ensure program success.

Establishing the regulatory infrastructure to expand internships for high school credit is a necessary first step to ensure these valuable hands-on learning opportunities are accessible to more students and valued by educators and industry alike.

Conclusion

Systemic policy change is needed to ensure more students have access to life-changing internship opportunities that offer real-world experience and on-the-job training. We encourage more employers to utilize internships to build their employment pipeline, and state and federal government to enact policies that will ease the path to an educated, experienced workforce. Policymakers should look to the examples set by several forward-thinking states that have sought to increase the availability of internships overall, as well as enhance the intern experience for student and employer alike. Many of these strategies can be replicated or brought to scale to guarantee internships remain a staple of experiential learning for generations to come.



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