



Policy analysis and recommendations  
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A large, abstract graphic background consisting of a dense network of overlapping, intersecting lines in various shades of purple and black, creating a complex, web-like structure.

# INTERNSHIPS: TO PAY OR NOT TO PAY?



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# EXECUTIVE SUMMARY

With youth unemployment at record levels and graduates struggling to find work, internships – typically a period of workplace learning for undergraduates and graduates lasting from 3 to 12 months – have become an increasingly high-profile option for those finishing their university and college courses. The benefits to young people of completing an internship can be considerable in terms of learning technical or practical skills, gaining experience in an industry sector and developing their employability skills such as teamwork. In addition, employers who run internships stand to gain through bringing young people with new ideas into their organisation and building a talent pipeline for their industry, while some employers are even using internships as a way of assessing potential new recruits. However, despite these significant benefits to young people and employers, the debate over whether internships should be paid or unpaid has yet to be resolved.

Given the contribution that interns can make to organisations, employers are often very generous with the remuneration that they give young people enrolled on these programmes. The CIPD 2010 *Learning and talent development* survey found that 63% of employers pay their interns at least the National Minimum Wage (NMW), with 92% of this group of employers paying their interns over and above the NMW out of choice<sup>1</sup> – demonstrating the high esteem in which many employers hold interns. Even so, interns are likely to be relatively new to the workforce and are therefore less likely to contribute as much as a fully qualified member of staff, which is why they do not tend to command the same salary as a full-time worker.

Alan Milburn MP's recent report on social mobility noted that 'while internships implied upfront costs, the payback – in terms of access to a professional career – ultimately represented good value for money, even if initially it involved people borrowing money.'<sup>2</sup> The Government also made a similar remark in its

evidence to the Low Pay Commission in 2010, when it stated that 'young people are prepared to accept lower pay while they are learning their job and in anticipation of higher future earnings and secure employment.'<sup>3</sup> Thus, the argument is that interns do not necessarily need to be paid a high salary or even any salary at all, as the long-term increase to their earnings that will result from the internship should outweigh the short-term costs of taking on an unpaid position. Furthermore, if pressure was put on employers to pay interns higher salaries, the number of internships available to young people may decrease as organisations become unable, or simply unwilling, to provide them.

On the other hand, the argument presented by organisations such as the Trades Union Congress (TUC)<sup>4</sup> and the National Union of Students (NUS)<sup>5</sup> is that all interns should be paid at least the NMW because, in the absence of any remuneration, there is potential for an intern to be 'exploited'. Alan Milburn MP highlighted the dangers of not paying interns in terms of accessing the professions:

***The cost of undertaking an internship can put many people off. ...Those with the least financial resources are less likely to be in a position to forgo the opportunity to earn more in order to undertake an internship. We have been shown research demonstrating that the less advantaged are most put off by the costs of undertaking an internship.***<sup>6</sup>

The report went on to note that internships are fast becoming 'a rung on the ladder to success' for many students leaving university, yet they are only accessible to some people, which has serious negative consequences for social mobility and 'fair access' to certain careers. Young people who lack the means to work for free, lack the means to travel or live near an internship or who come from a background in which professional occupations are rarely discussed are

particularly vulnerable to these barriers. Regrettably, the guidance produced alongside the NMW on the issue of whether internships should be paid or not can be very confusing for employers. Although there are no laws specifically on paying interns, if an intern is contributing to an organisation, if they have a list of duties and if they are working set hours, then technically they should be paid the NMW.<sup>7</sup> These criteria will undoubtedly apply to many internships currently being offered by employers. However, in some circumstances an intern could be classed as 'volunteer', in which case the NMW legislation does not apply and it is perfectly legal to take on an intern without paying them. Given that Alan Milburn MP's report sought to improve access to the professions to those from disadvantaged backgrounds, this presents a finely balanced dilemma: allow employers not to pay interns and risk scaring off people from less affluent backgrounds, or make employers pay the NMW and risk losing a large number of internship opportunities. Even so, by learning from the existing arrangements for young people enrolled on apprenticeships, a viable and fair solution can be constructed.

There are a number of similarities between apprenticeships and internships. For example, they both offer young people the opportunity to develop their skills in a wide range of vocations, they both act as a 'talent pipeline' for organisations and industry sectors and they both focus on preparing young people to either begin work or to take their next step in terms of qualifications or workplace responsibility. Given the considerable overlap between apprenticeships and internships, it is worth considering whether apprentices and interns should also be treated in a similar manner in terms of payment. Rather than being exempt from minimum wage legislation, apprenticeships actually have their own national pay system. In March 2010, a new hourly rate of £2.50 (equivalent to £100 for a 40-hour week)<sup>8</sup> was introduced for apprentices, which includes

all hours of work and training. This hourly rate is thought to reflect the contribution that apprentices make to their organisations while still ensuring that young people from disadvantaged backgrounds are able to complete their course.

Interestingly, paying apprentices has seldom met with opposition among employers and no evidence has emerged to suggest that apprenticeships have unduly suffered from being paid positions. Indeed, some employer groups have even called for the minimum wage for apprentices to be increased more rapidly.<sup>9</sup> The new hourly rate for apprentices is also expected to lead to less complexity for employers, minimise any exploitation of apprentices and support better enforcement arrangements than the previous weekly pay rates.<sup>10</sup>

The CIPD therefore makes three recommendations to address the issue of internship pay:

#### **RECOMMENDATION 1**

The existing apprenticeship minimum wage structure should be converted into a new 'training wage', which applies to all apprenticeships and internships. The minimum hourly rate for all apprentices and interns should be set at £2.50 an hour and everyone enrolled on either an apprenticeship or internship would be legally entitled to the new training wage, regardless of industry sector, size of employer or the nature of their work.

#### **RECOMMENDATION 2**

Through guaranteeing that all interns are paid a minimum of £2.50 an hour, all unpaid internship positions should subsequently be treated as a breach of NMW legislation. Thus, any position that advertises itself as an internship, irrespective of what duties are carried out by the intern, would automatically trigger a legal obligation on the part of the employer to pay at least the training wage throughout the entire duration of the internship.

### RECOMMENDATION 3

To accompany the new training wage, a code of best practice for internships should be published to deliver as many high-quality opportunities for young people as possible. A code of practice is already being developed as part of the follow-up work to the report by Alan Milburn MP, based on the CIPD's recent publication, *Internships that Work: A guide for employers*. It may be possible to use the CIPD guide as an immediate starting point that can be updated in future, should the need arise. The 'framework' contained within the CIPD guide outlines a set of minimum expectations on employers in terms of how interns should be treated, what they should be expected to do and what learning opportunities will be delivered by the employer. A national internship code of practice or framework should therefore aim to improve the quality of internship provision and combat exploitation in the workplace through a series of principles and guidelines while still accommodating

the variety of internships available in this country. Given that internships would invariably be paid positions from this point forward, a code of practice or framework also represents a good opportunity to describe what can be expected of interns and detail what their obligations to employers are under the training wage.

Alongside these recommendations, a number of related issues would also need to be addressed, such as considering what working rights (for example holidays, sick pay) interns should be entitled to. Nevertheless, the creation of the training wage would represent a significant step towards ensuring that internships offer young people and employers a fair deal, promote social mobility, provide young people with valuable experience and help minimise exploitation in the workplace. What's more, organisations would still be able to recruit young talent at a reasonable rate during this difficult economic period and beyond.

# INTRODUCTION

One of the most visible impacts of the current economic difficulties has been on youth unemployment. At the end of 2009, almost 1 million young people aged between 16 and 24 were unemployed.<sup>11</sup> Such was the concern at these statistics, the then Labour Government unveiled several measures in the Queen's Speech in November 2009 specifically aimed at tackling youth unemployment. These measures included a guaranteed place in education for unemployed 16 to 17-year-olds<sup>12</sup> and a guaranteed job, training or work experience opportunity for young people who have been unemployed for six months or more.<sup>13</sup> Among this broad set of measures was a much less publicised commitment specifically aimed at university graduates unable to find a job since finishing their course, who would now be offered a 'high-quality internship or training'.<sup>14</sup> This was preceded only a few weeks earlier by the Government's announcement of funding 10,000 'skilled internships' within small firms,<sup>15</sup> whereby employers were given a lump sum payment of £1,600 from which they could pay interns at least the minimum wage.<sup>16</sup> The internship stock, it seemed, was rising fast.

***the Milburn Report recognised the crucial role that internships play in terms of "accessing" a number of professions***

Even before these policies were announced, the world of internships was already enjoying a rare bout of publicity thanks to the *Final Report of the Panel on Fair Access to the Professions* published in 2009, headed by Alan Milburn MP (referred to as the Milburn Report).<sup>17</sup> The panel, comprising independent experts in social mobility and various occupations, was tasked with advising the Government 'on how we can make a professional career genuinely open to as wide a pool of talent as possible'.<sup>18</sup> This report was driven by a number of issues related to professional

occupations, such as the recent growth of the service sector and 'professionalised' careers as well as the expected fall in demand for unskilled labour. Above all, though, the work of the expert panel was motivated by one core concern, which Alan Milburn MP himself summarised when introducing the report:

***The default setting in too many professions, particularly at the top, is still to recruit from too narrow a part of the social spectrum. In this sense the professions simply reflect a wider problem in British society: a governing assumption that is still present in too many of our institutions that progress can be achieved on the basis of a limited pool of talent having access to a limited set of opportunities. All too often the professions have exemplified this outdated notion. With some honourable exceptions, over time they have narrowed entry routes – not widened them. They have become more socially exclusive, not less. It is not just that such elitism is unjust socially. It can no longer work economically.***<sup>19</sup>

Although internships may not be as high-profile a choice as a university degree or apprenticeship, the Milburn Report recognised the crucial role that internships play in terms of 'accessing' a number of professions and thus dedicated an entire chapter to discussing the role that internships play (and should play) in our economy. Internships are, in effect, an essential entry criterion for an increasing list of professions. Opening the aforementioned chapter, the report noted that:

***Internships are an essential part of the career ladder in many professions. They are part and parcel of a modern, flexible economy and are useful both for interns and for employers. Indeed many professional employers put a great deal of time and effort into their internships. Where once they were an informal means of gaining practical***

***insight into a particular career, today they are a rung on the ladder to success. Undertaking an internship is an important access point for entry to a career in the professions – while undertaking one prior to university helps to secure a place at a top institution, undertaking an internship during or after university helps to secure entry to a profession. Yet, by and large, they operate as part of an informal economy in which securing an internship all too often depends on who you know and not on what you know.***<sup>20</sup>

The inevitable conclusion reached by the panel was that, while internships increase the chances of a young person gaining entry to certain professions, opportunities for starting internships are not fairly spread across the population. Those at a particular disadvantage are young people who lack the means to work for free, lack the means to travel or live near an internship and come from a background in which professional occupations are rarely discussed.<sup>21</sup> The variable quality of internships was also raised as a potential problem for some young people.

***securing an internship all too often depends on who you know and not on what you know***

The message presented by the Milburn Report was simple: internships are *the* ticket into an increasing number of professions but they are only accessible to some people, which has serious negative

consequences for social mobility and ‘fair access’ to certain careers. Given the CIPD’s 135,000 members and our front-line role in recruiting young people in a variety of professions, we understand how vital it is that firms get access to the very best talent available regardless of the financial, social, economic or academic background of the young people looking to enter the world of work. We have already contributed to this discussion through publishing *Internships that Work: A guide for employers* in December 2009 to promote best practice for internships and support employers that wish to start an internship scheme or improve their existing offering,<sup>22</sup> but there is still plenty of work to be done in addition to helping firms set up and run their own schemes.

Although ensuring equitable access to high-quality internships for all young people is a complicated matter and will require action on a number of different fronts, there is one question that stands out above the others as the central focus of almost every debate on this issue: should internships be paid or unpaid? The number of opinions expressed on internship pay over the past few years are far too numerous to list here; suffice to say that the Government, employers, trade unions and even young people themselves hold very different views. The aim of this CIPD policy paper is to explore the issues around internships and pay to identify a way forward that supports internships as a valuable training option for young people while ensuring that they are accessible to all, not just to a lucky few.



# WHAT IS AN INTERNSHIP?

In contrast to degrees, A-levels, GCSEs and many vocational options available to young people, internships are a very malleable concept. For instance, it is hard to identify precisely when and why the term 'internship' came into use in the UK (although it is likely that the term originated in the United States). Because there is no agreed definition of 'internship', a wide variety of schemes, programmes and roles use this term to describe what they offer. Consequently, distinguishing between certain jobs on the basis of what they are called has become a surprisingly difficult task for many young people, as they are faced with phrases such as 'internship', 'industrial placement', 'worker', 'volunteer', 'volunteer worker', 'work experience', 'work placement', 'summer placement' and other similar descriptors. When compared with apprenticeships, which must by definition consist of a framework of four qualifications including a National Vocational Qualification (NVQ) in a particular occupation, internships are incredibly flexible – arguably too flexible. Nevertheless, there are certain characteristics that are commonly associated with internships.

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## PURPOSE

Internships are associated largely with undergraduate programmes offered by organisations during university holidays as well as programmes aimed at graduates entering the labour market and looking for experience in a particular profession. The Milburn Report viewed internships as 'a rung on the ladder to success',<sup>23</sup> as they enable young people to show their commitment to a subject, their experience of professional work in that field and that they can take responsibility for their own learning and development.<sup>24</sup>

## LENGTH

Internships tend to encompass roles that last for around three to six months and involve learning in the workplace about some, if not all, of the main aspects of a particular profession. Internships aimed at graduates can last as long as 12 months, although this is relatively uncommon given the legal issues that this raises with regard to minimum wage legislation

## CONTENT

Given that there is no formal structure for internships, the content will vary depending on the size, industry sector and operations of the employer. Ideally, employers will offer a constructive programme that includes learning the relevant skills and aptitudes that someone will need to progress during the early stages of their career. Although the purpose of internships is to give young people experience in the workplace, such a programme may not always be possible. There could be some occasions when interns are not able to perform particular workplace duties without having first completed professional courses or training programmes as it would not be appropriate or safe for them to do so (for example law firms, manufacturing companies). Nevertheless, the more exposure that a young person gets to different roles and responsibilities, the more they will hopefully learn in terms of skills and knowledge.

## BENEFITS TO THE INTERN

Working full-time in an organisation can help a young person develop a broad range of skills that can improve both their productivity and their CV. Recent CIPD research has demonstrated the potential value of internships, as our members within the HR profession (who often work directly with young people on finishing their school, college and university courses) often report problems with potential new recruits. For example, the CIPD 2009 *Learning and talent development* survey identified several trends around workplace skills:<sup>25</sup>

- 61% of respondents said that new employees from school, college or university are deficient in business skills/acumen and lack a strong commercial awareness.
- 60% of respondents still believed that school, college and university leavers were lacking in communication skills.
- 55% reported a general lack of work ethic among new employees.
- 43% were concerned at a lack of customer service skills.

There are two important points to note about such findings. First, these are precisely the skills that are more easily gained in the workplace than they are in a classroom or lecture theatre. Second, a placement inside an organisation lasting three months or more is the perfect vehicle through which to acquire these skills. Indeed, the 2010 *Learning and talent development* survey found that 78% of respondents agree internships are beneficial to interns in the long run.<sup>26</sup>

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## **BENEFITS TO EMPLOYERS**

Not only are there potential benefits to a young person when beginning an internship, employers also stand to benefit. Undergraduates and graduates can often bring new ideas and fresh thinking into an organisation. What's more, in the 2010 *Learning and talent development* survey, 76% of respondents saw internships as a way of testing potential new staff, while 69% of respondents thought that internships are a good way to develop new talent in an industry sector.<sup>27</sup> With a carefully prepared and well-delivered internship programme, employers may also be gaining an additional productive and engaged member of staff, even if the internship is only for a few months. From the perspective of the wider economy, internships offer an excellent method of building the skills base, particularly in relatively new sectors of the economy that do not have fully developed graduate recruitment programmes. Given the blend of technical and employability skills that young people can acquire on internships, their potential for addressing skills shortages in various parts of the UK economy should not be underestimated.

However, even though the case for supporting internships from an employer's and intern's perspective is a strong one, the issue of whether or not internships should be paid continues to dominate the debate – as will be described in the next section.

# SHOULD INTERNSHIPS BE PAID OR UNPAID?

Even with the increased political interest in internships, the central issue of whether or not internships should be paid or unpaid positions remains unresolved. Within this debate, there are broadly two schools of thoughts that offer starkly different perspectives on internship pay.

The first school of thought focuses on the employers' perspective on internships. Because of the benefits that internships can bring in terms of potentially adding a productive new member of staff and even acting as a 'talent pipeline' for individual organisations or entire industry sectors, it is no surprise that more and more organisations are offering internship opportunities. Given the contribution that interns can make to organisations, employers are often very generous with the remuneration that they give young people enrolled on these programmes. The CIPD 2010 *Learning and talent development* survey found that 63% of employers pay their interns at least the National Minimum Wage (NMW), with 92% of this group of employers paying their interns over and above the NMW out of choice – demonstrating the high esteem in which many employers hold interns.

***Given the contribution that interns can make to organisations, employers are often very generous with the remuneration that they give young people enrolled on these programmes***

Even so, interns are often relatively new to the workforce and are therefore less likely to contribute as much to their organisation as a fully qualified member of staff, which is why they do not tend to command the same salary as a full-time worker. The Milburn Report noted that 'while internships implied upfront costs, the payback – in terms of access to a professional career – ultimately represented good value for money, even if initially it involved people borrowing money.'<sup>28</sup> The Government also made

a similar remark in its evidence to the Low Pay Commission in 2010, when it stated that 'young people are prepared to accept lower pay while they are learning their job and in anticipation of higher future earnings and secure employment.'<sup>29</sup> Thus the argument is that interns do not necessarily need to be paid a high salary or even any salary at all, as the long-term increase to their earnings that will result from the internship should outweigh the short-term costs of taking on an unpaid position.

Furthermore, if pressure was put on employers to pay interns higher salaries, the number of internships available to young people may decrease as organisations become unable, or simply unwilling, to provide them. Given that the Milburn Report sought to improve access to the professions to those from disadvantaged backgrounds, this presents a finely balanced dilemma: allow employers not to pay interns and risk scaring off people from less affluent backgrounds, or make employers pay the NMW and risk losing a large number of internship opportunities.

The second school of thought on internship pay focuses on the treatment of interns. The argument presented by the Trades Union Congress (TUC)<sup>30</sup> and the National Union of Students (NUS)<sup>31</sup> is that all interns should be paid at least the NMW because in the absence of any remuneration, there is potential for an intern to be 'exploited'. Furthermore, proponents of paying interns the NMW see unpaid internships as an outdated employment practice. The Milburn Report itself highlighted the dangers of not paying interns in terms of accessing the professions:

***The cost of undertaking an internship can put many people off. ...Those with the least financial resources are less likely to be in a position to forgo the opportunity to earn more in order to undertake an internship. We have been shown research demonstrating that the less advantaged are most put off by the costs of undertaking an internship.***<sup>32</sup>

Submissions made to the Milburn Report from other organisations echoed these concerns, arguing that ‘the current structure of internships restricted the talent base from which employers could ultimately draw their employees’,<sup>33</sup> which, by definition, will have a detrimental impact on how successfully young people from disadvantaged backgrounds can access certain professions. Even before the potential loss of earnings from an internship is taken into account, the Milburn Report estimated that a two-week internship in London can cost as much as £500 for accommodation, food and travel,<sup>34</sup> which shows how affordability can easily become an issue for some young people looking to start unpaid internships. Our 2010 *Learning and talent development* survey found that 37% of employers do not currently pay their interns the NMW.

#### MINIMUM WAGE LEGISLATION

Regrettably, the guidance produced alongside minimum wage laws on the issue of whether internships should be paid or not can be very confusing for employers. Although there are no laws specifically on paying interns, if someone is expected to undertake ‘work’ for any organisation, they are classified as a ‘worker’ under minimum wage laws and are entitled to be paid the NMW – regardless of what the job was called in the advertisement and whether there is a written contract in place. In short, if an intern is contributing to an organisation, if they have a list of duties and if they are working set hours then technically they should be paid the NMW.<sup>35</sup> These criteria will undoubtedly apply to many internships currently being offered by employers, hence why a number of campaigning organisations are calling for all internships to be guaranteed at least the NMW.

However, the legal position is not as clear-cut as it might appear. Although a ‘worker’ is entitled to the NMW regardless of whether they are called an intern or not, a significant loophole in the law still exists. This has occurred because, in some circumstances, an intern could be classed as a ‘volunteer’ – the distinction being that a volunteer is under no obligation to perform work, they have no contract or formal arrangement and they have no expectation of (and do not receive) any reward for the work they do apart from having their expenses reimbursed. If this is indeed the case for an intern, the NMW legislation does not apply and it is perfectly legal to employ an intern without paying them. Confusion over whether an intern should be paid travel expenses is also largely driven by this loophole, although the 2010 *Learning and talent development* survey found that only 4% of employers do not pay either the minimum wage or travel expenses.

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The situation regarding the legal position of internships was thrown further into confusion in November 2009, when an employment tribunal ruled that workers engaged on an expenses-only basis are still entitled to be paid at least the NMW as well as being paid for the holiday they accrue.<sup>36</sup> London Dreams Motion Pictures Ltd was ordered by a tribunal to pay its former intern a sum in excess of £2,000 after they employed her as an intern but did not pay her the minimum wage, despite the existing loophole in the NMW legislation. Although this case was technically just a ruling on the individual circumstances of a particular intern, it could have significant ramifications for other employers who continue to offer unpaid internship positions.

# RECOMMENDATIONS

The debate over paying interns has become noticeably polarised due to a combination of competing business and union interests as well as the continued existence of a loophole in the minimum wage legislation. As a result, employers are caught in an ‘either/or’ situation – either you pay interns the minimum wage or you don’t. Neither option is satisfactory for a variety of reasons, yet these are the only options available – or so it seems.

***Apprenticeships and internships both offer young people the opportunity to develop their skills in a wide range of vocations and can act as a “talent pipeline” for an individual firm or an industry sector***

Curiously, one issue that is never discussed as part of the debate surrounding internship pay is apprenticeships, even though making better use of the existing arrangements for apprentices could go a long way to addressing concerns over internship pay. From an employer’s perspective, apprenticeships and internships both offer young people the opportunity to develop their skills in a wide range of vocations and can act as a ‘talent pipeline’ for an individual firm or an industry sector. Although apprenticeships are a formalised, distinct training route and are tangibly different from internships in terms of their focus on qualifications and their links between businesses and colleges, the principles behind apprenticeships and internships are remarkably similar. Both schemes involve young people entering the workplace, often for the first time, to gain skills and experience. In addition, apprenticeships and internships can be relatively short periods of learning lasting less than a year and they both focus on preparing young people to either begin work or to take their next step in terms of qualifications or workplace responsibility. Given the considerable overlap between the objectives of apprenticeships and internships, it is worth considering whether apprentices and interns should also be treated in a similar manner

by employers – thus bringing into focus the pay structures that currently exist for apprenticeships.

Although the NMW legislation technically covers all ‘workers’ regardless of age or occupation, there is a specific exemption for apprentices. According to a government website:

***If you are an apprentice under the age of 19 you are not entitled to the NMW. If you are an apprentice aged 19 and over and you are still in the first year of your apprenticeship you are also not entitled to the NMW.***<sup>37</sup>

Rather than being entirely exempt from pay legislation, apprenticeships actually have their own national pay system. In March 2010, the previous minimum pay rate of £95 a week for apprentices was replaced for the first time with an hourly rate of £2.50 (equivalent to £100 for a 40-hour week).<sup>38</sup> This rate of pay includes all hours of work and training, both on- and off-the-job, during the course of an apprenticeship. The new hourly rate is thought to reflect the contribution that apprentices make to their organisations, which is likely to be less than that of a fully trained and experienced member of staff, while still ensuring that young people from disadvantaged backgrounds are able to complete the courses.

***As employers are more than happy to pay apprentices a reasonable wage for training, there should be no reason why the same remuneration cannot be applied to interns while they train in the workplace***

As employers are more than happy to pay apprentices a reasonable wage for training, there should be no reason why the same remuneration cannot be applied to interns while they train in the workplace, particularly as a high-quality internship



should represent a period of learning and training. Interestingly, paying apprentices for their work has seldom met with opposition among employers and no evidence has emerged to suggest that apprenticeships have unduly suffered from being paid positions. Indeed, some employer groups such as the Federation of Small Businesses, which represents thousands of small and medium-sized organisations, have even called for the minimum wage for apprentices to be increased more rapidly.<sup>39</sup> The new hourly rate for apprentices is also expected to lead to less complexity for employers, minimise any exploitation of apprentices and support better enforcement arrangements than the previous weekly pay rates.<sup>40</sup>

The CIPD therefore makes three recommendations to address the issue of internship pay.

### **RECOMMENDATION 1**

The existing apprenticeship minimum wage structure should be converted into a new 'training wage', which applies to all apprenticeships and internships. The minimum hourly rate for all apprentices and interns should be set at £2.50 an hour and everyone enrolled on either an apprenticeship or internship would be legally entitled to the new training wage, regardless of industry sector, size of employer or the nature of their work.

### **RECOMMENDATION 2**

Through guaranteeing that all interns are paid a minimum of £2.50 an hour, all unpaid internship positions should subsequently be treated as a breach of NMW legislation. Thus, any position that advertises itself as an internship, irrespective of what duties are carried out by the intern, would automatically trigger a legal obligation on the part of the employer to pay at least the training wage throughout the entire duration of the internship.

### **RECOMMENDATION 3**

To accompany the new training wage, a code of best practice for internships should be published to deliver as many high-quality opportunities for young people as possible. A code of practice is already being developed as part of the follow-up work to the Milburn Report, based on the CIPD's recent publication, *Internships that Work: A guide for employers*. It may be possible to use this guide as an immediate starting point that can be updated in future, should the need arise. The 'framework' contained within the CIPD guide outlines a set of minimum expectations on employers in terms of how interns should be treated, what they should be expected to do and what learning opportunities will be delivered by the employer. A national internship code of practice or framework should therefore aim to improve the quality of internship provision and combat exploitation in the workplace through a series of principles and guidelines while still accommodating the variety of internships available in this country. Given that internships would invariably be paid positions from this point forward, a code of practice or framework also represents a good opportunity to describe what can be expected of interns and detail what their obligations to employers are under the training wage.

# FURTHER ISSUES FOR CONSIDERATION

Although the recommendations set out in the previous section are designed to offer a very positive solution to the issue of internship pay that suits both the intern and the employer, these new measures will require a number of other matters to be considered at the same time.

## DEFINITION OF A 'VOLUNTEER'

Charities already have several exemptions from NMW legislation with regard to volunteers and it is envisaged that this would continue regardless of whether the training wage is adopted either formally or informally. That said, one of the risks related to instigating a legally protected minimum wage for internships is that some employers may simply treat their interns as 'volunteers' in an attempt to circumvent the new rules on paying them. Should this occur, the potential for exploiting interns in the workplace will remain as visible as ever. The existing loophole that allows employers to classify people as 'volunteers' rather than 'workers' must therefore be tackled directly. One option would be to instigate a tighter set of guidelines on how a volunteer is defined. Alternatively, a condition could be placed on all graduate vacancies that if the employer does not specify that the opportunity that they are advertising is for one month or less (which would usually be referred to as 'work experience' and command no salary), the training wage is automatically triggered.

Changing the minimum wage legislation would require a detailed analysis and consultation of the possible implications of any such changes, which would need to involve employment lawyers, government officials and industry representatives. Nevertheless, it is essential to prevent employers from simply changing the title of their advertised vacancies in the belief that this would let them sidestep their obligations to young people and indeed other workers.

## UNIVERSITY AND HOLIDAY PLACEMENTS

The term 'internship' is now used to describe a huge variety of opportunities for young people. Although this is unsurprising given the lack of a legal framework for internships, a clarification of the definition of internships would ideally need to be set out before the proposed training wage could be introduced. The CIPD views internships as being associated with undergraduate programmes offered by organisations during university holidays as well as programmes aimed at graduates entering the labour market for the first time. However, in light of the different uses of the term 'internship' by employers and universities alike, a discussion on this matter should take place between the major stakeholders in the provision of workplace opportunities for young people, which would cover issues such as whether university placements and summer holiday programmes offered by employers would best be classed as internships or not.

The benefits of offering a clearer picture of what an internship represents include assisting young people with understanding what options they have available, strengthening the internship brand and helping recruitment professionals understand precisely what young people have completed or achieved both during and after their studies. To provide further clarity, it is also worth considering the possibility of putting a strict timeframe on internships, for example the programme must last between 3 and 12 months.

***Internships in London are frequently associated with high accommodation and travel costs, which can exacerbate the financial barriers facing young people***

## REGIONAL VARIATIONS IN PAY

Although there is a strong case for a training wage that operates outside the NMW scale, it is important that young workers receive enough income for them to complete their internships or apprenticeships.

The possibility of some element of regional variation within the training wage should therefore be considered to take into account the different living costs that young people face in different parts of the country. Internships in London are frequently associated with high accommodation and travel costs, which can exacerbate the financial barriers facing young people. This has already led to almost 100 organisations, including major employers and several London boroughs, paying their staff at least the London 'living wage' – currently £7.85 an hour – rather than the NMW.<sup>41</sup>

One option for pay variations would be to use a simple 'banding' mechanism in which, depending on the cost of living in each area, the training wage could be set at, for example, £2.50, £3.00 or £3.50 an hour. In addition to addressing different living costs, this would also reflect the growing divide between job prospects in London and the south-east relative to the rest of the UK regions, as highlighted in a recent CIPD survey,<sup>42</sup> while still incentivising the employment of young people. Another option would be to keep the training wage at the same level across the country but raise it at some point in the future to £3.00 an hour (£120 a week) for all apprentices and interns – which, incidentally, was put forward by an employer's group in 2009.<sup>43</sup> This suggests that employers are happy to meet this expectation, and it would also help to ensure that young people from disadvantaged backgrounds are able to access more opportunities.

#### **THE RIGHTS OF INTERNS IN THE WORKPLACE**

Due to their defined structure, apprenticeships afford young people a number of workers' rights. For example, apprentices get at least 20 days of paid holiday a year in addition to bank holidays.<sup>44</sup> Moreover, apprentices will have some entitlements regarding Statutory Sick Pay, rest breaks and weekly working hours. It is proposed that, alongside the introduction of the training wage, internships are brought into line with the rights given to apprentices

for all internships lasting six months or more. Internships that last less than six months present a more complicated situation, as any time off (for example paid holiday) would have a disproportionate impact on their employer relative to an apprenticeship that could last up to three years. Even so, all internships should command a set of minimum rights to accompany their new paid status, which should aim to promote a fair balance between the interests of the intern and the employer.

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#### **EXPANDING THE TRAINING WAGE BEYOND INTERNSHIPS**

Many of the justifications for a new training wage, such as lower levels of skills among young workers and a lack of workplace experience, are not necessarily restricted to university graduates. There are various groups within the population (for example ex-offenders) to whom precisely the same logic could be applied, in the sense that they are looking to start a job or career in a new sector, despite having little prior experience, but they may not possess the same attributes and relevant experience as a full-time worker already operating in that sector. If so desired, the training wage could therefore be expanded to encompass any period of transition for individuals moving into the workplace for the first time towards the start of their career, which could include a whole variety of circumstances that people may find themselves in.



# CONCLUSION

As a result of government initiatives aimed at improving social mobility and reducing youth unemployment, the past 12 months have seen internships and the debate surrounding their payment rise to prominence. The need to provide suitable work placements for school and university students remains as strong as ever, and there is no question that young people should be treated fairly in the workplace. Nevertheless, a number of organisations insist that the current prevalence of unpaid internships must be addressed. The new training wage proposed in this paper represents the first concerted attempt to find a 'middle ground' between the need to eradicate exploitation in the workplace and the need to provide valuable workplace opportunities to young people.

In political circles there has been a growing consensus around the need to build a new economic model in the wake of the global financial crisis that caused so much damage to the world's economy. Internships cannot solve all of the problems faced by young people and employers as the UK emerges from this extremely challenging period. That said, internships have huge potential to address a number of key issues facing organisations across the country. With a number of industry sectors complaining of technical and practical skills shortages at the same time as organisations try to improve the employability skills of school and university leavers, internships can offer an effective solution that benefits employers and young people alike. It is envisaged that the internship model described in this paper, centred around the introduction of a new 'training wage', could be placed at the heart of reforms to tackle youth unemployment, improve social mobility and raise employability skills among young people – all of which could support the UK economy for years to come.

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<sup>30</sup> See note 4.

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