



Internships - Unpaid, unadvertised, unfair

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Introduction

Internships are the new rung on the professional ladder. For the most sought after professions especially, they are increasingly seen as a requirement before a young person is offered their first job. However, too often internships are unpaid and not openly advertised. For young people who cannot afford to work for free, and for those who do not have the networks with which to secure a placement informally, internships are acting as a barrier to the best careers - and to social mobility.

Our 2014 report on the topic, *Internships or Indenture*, highlighted the high cost of carrying out an internship unpaid. Since then, there have been some moves in the right direction by employers, and a greater awareness of the issues surrounding internships. Several large companies, for example Pret a Manger, have started to pay their interns,¹ the BRIT Awards have introduced ten paid internships to help open up access to the music industry,² and there are reports that publishing houses are increasingly introducing paid internships.³ Additionally, most major graduate employers now offer openly advertised and paid internships.

However, substantial numbers of unpaid internships continue to be advertised online and offered through informal networks. Additionally, recent research has found that for most, taking an unpaid internship comes with a pay penalty rather than a pay boost, and that those which do pay off are more likely to be dominated by the most privileged young people. This brief looks at the existing research on internships in the UK, and introduces new and updated analysis on the current minimum cost of carrying out an unpaid internship in two major UK cities, London and Manchester.

KEY FINDINGS

- Even if transport costs are provided, our new analysis shows the minimum cost of carrying out an internship in London unpaid is £1,019 per month (or £827 in Manchester). This is higher than we estimated in our last report in 2014, largely as a result of rising rents and inflation.
- Although there has been some progress since our last report on the subject, organisations continue to offer internships which are unpaid, and offer internships without formally advertising them.
- Current research suggests that over 40% of young people who have carried out an internship have done at least one of them unpaid.
- The most recent government estimate is that there are 70,000 interns in the UK at any one time, although there is no newer estimate available than 2010. In 2017, 11,000 internships were found to be advertised online, but many more are likely to have been offered unadvertised.
- New Sutton Trust analysis of the most recent HESA data suggests that roughly 10,000 graduates are carrying out an internship at six months post-graduation, with 20% of them doing so unpaid.
- There are concerns that some employers are either unaware that their interns should be paid, or that some employers are exploiting the lack of clarity in the law to avoid paying their interns.

WHAT IS AN INTERNSHIP?

A range of very different work placements are referred to as internships, and the term is not defined in UK legislation. An internship can be as short as only a few weeks in length, but can often be several months long - with some being a year or more. Internships are not specifically regulated and do not result in a qualification.

The work involved in an internship can range from simply shadowing an existing worker to having important responsibilities and carrying out complex work for the organisation. Indeed, research suggests that most interns are doing real work for their employers.

In polling carried out by YouGov, 84% of respondents who worked for a company which took on interns believed that interns do useful work for their company.⁴ The majority of interns are also expected to be highly educated. An analysis carried out by IPPR on internships in 2017 found that 82% of advertised internships require at least a bachelor's degree.⁵ Due to the work involved and previous qualifications required, most internships have more in common with an early career job than with traditional work experience or training.

How common are internships?

There are no official figures on the number of interns in the UK. IPPR analysis found that around 11,000 internships per year are formally advertised online.⁵ An annual survey of employers published by the Department for Education found that 6% of businesses surveyed reported providing some form of paid or unpaid internship.⁶ However, it is likely that many internships are never advertised formally - the All Party Parliamentary Group (APPG) on Social Mobility's inquiry into access to the leading professions found that work experience, including internships, are often offered by employers to friends and family of staff members and clients or important stakeholders, so would not have been advertised.⁷ IPPR also highlighted the likelihood that many internships are being offered without being advertised.⁵ The government's most recent figures, released in 2010, estimated that there were up to 70,000 interns in the UK at any one time.⁸ Nepotism in the allocation of internships may contribute to the findings of recent Sutton Trust polling, which found that 54% of respondents reported that they saw 'knowing the right people' as important for getting on in life. This figure has increased in the last few years, up from only 33% of respondents in 2009.⁹

Limited figures are available on the number of graduates undertaking internships following their degree. Analysis carried out by the Sutton Trust on data provided by the Higher Education Statistics Authority (HESA), found that of full and part time 2015/16 UK and EU domiciled graduates in work, 2.5% were undertaking an internship six months post-graduation.¹⁰ Using the HESA survey data, the Sutton Trust estimates that roughly 10,000 graduates are completing an internship at six months post-graduation. While that number appears relatively low, the HESA survey is only a snapshot in time, and the proportion of graduates who undertake an internship at some point in their career will be considerably higher. Additionally, there is evidence that for some sought-after graduate jobs, internships are now the norm before taking on a formal role. Nearly half

of top graduate employers report that candidates who have not gained work experience through an internship will 'have little or no chance of receiving a job offer' for their organisations' graduate programmes, regardless of academic qualifications.⁵

Unpaid internships

The high level of competition for top jobs results in many organisations having large numbers of applicants to starter positions. This means that companies will still often receive many good applicants, even if they offer no or very little pay. Unpaid internships are a particular problem in sought-after professions such as the arts and media, where the Social Mobility Commission reported a dramatic rise in the number of unpaid internships.¹¹ Elsewhere, Sharon White, CEO of the broadcasting regulator Ofcom, recently called on TV executives to stop using unpaid internships, due to concerns that they are limiting access to the industry.¹² The recent Taylor review, which examined modern working practices, concluded that "it is clear to us that unpaid internships are an abuse of power by employers and extremely damaging to social mobility".¹³

Case study 1 shows that, as recently as January 2018, an MP was found to be offering a six-month internship, unpaid, in their London office. While the placement required no set hours, it did involve real responsibilities, including providing support to an All Party Parliamentary Group. The internship was advertised as "ideal for someone looking to begin a

career in politics, policy or the third sector". Given that MPs are already considerably more likely to be from a privileged background than the constituents that they represent,¹⁴ it is extremely disappointing that MPs continue to offer unpaid internships, locking less well-off young people out of politics. Additionally, concerns have also been raised by the APPG on Social Mobility that internships in politics are often given out to family and friends of politicians, rather than being openly advertised.⁷

As with total internship numbers, there are also no official figures on the proportion of internships which are unpaid. The government estimated in 2010 that up to 15,000 internships (out of an estimated 70,000 internships in total) at any one time are unpaid (21%). However, this figure is an adjusted estimate based on a survey by the Chartered Institute of Personnel and Development (CIPD), which found that 51% of employers fail to pay their interns at least the adult minimum wage. While the government argues that CIPD surveys are heavily skewed towards larger firms,¹⁵ there is a lack of clarity on how the 21% figure was reached.

Figures are also available on the proportion of graduates undertaking unpaid internships following their degree. Analysis carried out by the Sutton Trust of data provided by HESA from their graduate destinations survey 2015-16 has found that six months after graduation, 20% of UK and

CASE STUDY 1: INTERN FOR AN MP

Pay: Unpaid, expenses covered

Length of internship: Six months

Location: London

Hours: No set hours specified

Job Details: Advertised as being "ideal for someone looking to begin a career in politics, policy or the third sector". Role involves undertaking research, analysis and briefing the MP on upcoming issues, and providing support for an All Party Parliamentary Group (including administrative support and drafting correspondents to ministers and external organisations). Candidate requires excellent written and oral communication skills, sound judgement and excellent organisational skills.

EU domiciled graduates doing an internship reported being unpaid.¹⁰ Since HESA's survey is only a snapshot in time after graduation, it may not be representative of all the internships which young people are carrying out. For example, many students undertake internships during their degree, and a student may be more likely to accept an unpaid internship during their summer holidays (between student loan payments), than in the months after their degree has ended, when they may not have any secured future income.

The previous figures examine the proportion of internships which are unpaid. However, as young people may be doing multiple internships (some paid, and some unpaid), these figures do not tell us what proportion of young people have ever done an unpaid internship. The graduate careers guidance service Prospects carried out an online survey of almost 9,000 16-25 year olds in 2017, and found that 48% had undertaken an unpaid internship.¹⁶ Similarly, YouGov polling in 2011 found that 43% of respondents who had completed an internship were not paid, with 21% receiving nothing at all, and a further 22% receiving only expenses.⁴ While the precise proportion of internships which are unpaid remains in question, the evidence nonetheless suggests that it represents a significant number, and that a large proportion of young people have at some point carried out an internship unpaid.

Although some of the best unpaid internships can kick-start a career, there is evidence that undertaking an unpaid internship can actually reduce future earnings. Recent work from the Institute for Social and Economic Research found that three years after graduating, former unpaid interns earned less than those who went immediately into paid work or further study. The research found that unpaid interns from disadvantaged backgrounds faced a salary penalty of over £4,000, when compared to their counterparts who went straight into a paid role. For those from more privileged backgrounds (if their family was from a wealthy background, and/or they attended a private school), unpaid interns were only less than

CASE STUDY 2: MARKETING INTERN FOR A LONDON LETTINGS AGENCY

Pay: Unpaid, lunch and travel covered

Length of internship: Minimum of three months

Location: London

Hours: 9am to 6pm, Monday to Friday

Job Details: Advertised as providing “hands on experience of online and offline marketing”. Role involves creating property adverts, registering tenants, maintaining property details, developing website content, gathering research on the property market and maintaining the company's blog and social media platforms. Candidates ideally require a degree in media, marketing or public relations, as well as an excellent standard of written and spoken English, and strong communication skills.

£2,000 worse off compared to their contemporaries in paid jobs. Unpaid interns also had a smaller earnings penalty if they attended Oxbridge, Kings, LSE, UCL or Imperial.¹⁵ This finding is extremely worrying, as it implies that those from better off backgrounds are taking up the most lucrative internships, but that many other young people are working unpaid despite a financial penalty, perhaps due to a lack of other employment options.

The law on unpaid internships

Many of the unpaid internships which are currently taking place are illegal. If the work an intern does is of value to their employer, and the intern has set hours and responsibilities, they are likely to qualify as an employee under UK employment law, which means that they are entitled to be paid the minimum wage. This law applies regardless of any agreements made between the employers and the intern; even if an intern has agreed to work for free, if their work fulfils the criteria to be classed as an employee, their employer is still legally required to pay them. There are some exceptions to this law which may apply to some internships, such as those which are part of a university course. Interns in charities, with set hours and responsibilities, are also likely to be entitled to the minimum wage, although voluntary work itself is exempted.¹⁶

There are concerns that the law is not being properly enforced, allowing many unpaid internships which do

break the law to continue.¹⁷ There is not a good understanding of the law around unpaid internships; in polling carried out by YouGov, 84% of respondents questioned did not know that companies who offer unpaid or expenses-only paid internships may be breaking the law.⁴ Therefore, many employers may be offering unpaid internships without realising they're breaking the law, and many interns may be working unpaid without realising that they are entitled to the minimum wage.

An unpaid intern can report an organisation to the government's Pay and Work Rights Helpline, or can take a case to a tribunal. However, this is a potentially difficult process for an intern who is relying on their placement to help them break into an industry, and risks them losing access to the references and contacts that they have worked unpaid to build. Additionally, even if an intern does take a case to a tribunal, under the current law an employer often can still claim that the intern was under no obligation to attend work, or had no obligation to give notice that they would no longer attend - making them unentitled to the minimum wage.

Indeed, in November 2017 following a written question in the Lords by Lord Mendelsohn, the government confirmed that at that point in time, there had been no recorded prosecutions in relation to interns and the National Minimum Wage.¹⁸ The current law is clearly not working to prevent unpaid internships.

CASE STUDY 3: FASHION DESIGN INTERN FOR MAJOR FASHION DESIGNER

Pay: Unpaid, allowance/expenses provided

Length of internship: Minimum of two months, ideally three

Location: London

Hours: 9am to 6.30pm, Monday to Friday

Job Details: Advertised as “an opportunity to work backstage at London Fashion Week”. Role includes design research, sampling, sourcing, print artwork development and dressing at final show. Candidates are required to have a good knowledge of Illustrator and Photoshop, as well as meticulous attention to detail and excellent communication skills.

Calculations – the minimum cost of an unpaid internship

Internships which are unpaid are a considerable obstacle to social mobility, as less advantaged young people are less able to afford to work for free, especially for the long periods expected in some internships. In polling carried out by YouGov, 40% of those who thought about applying for an internship said that they changed their minds as they were not able to work for free. Of those offered an internship, 39% turned it down for financial reasons.⁴

Here, the minimum costs of living in London per month of carrying out an unpaid internship has been estimated. Costs have been calculated using the most up to date public figures on various aspects of the cost of living, including rent, bills, food, transport costs and other unavoidable expenses such as clothing and health. The full methodology used to calculate these figures is available on our website. The total cost of living in the capital per month was found to stand at £1,100 - a large proportion of which goes towards rent and other essential bills (Figure 1). Many internships which are unpaid do cover travel expenses, but even after removing the cost of transport, each month a placement in London still costs a minimum of £1,019, an amount which is simply out of reach for a large proportion of young people. Many internships are several months in length, so the cost of a six-month internship in London

would come to at least £6,603, or £6,114 if the cost of transport is covered.

Similar analysis carried out in our 2014 brief estimated that an unpaid internship in London would cost a minimum of £926 per month, or £5,556 for six months. Our methodology has been updated since our previous report, so these figures are not directly comparable, but over the last few years the cost of living has risen (especially the cost of rent) - primarily due to inflation.

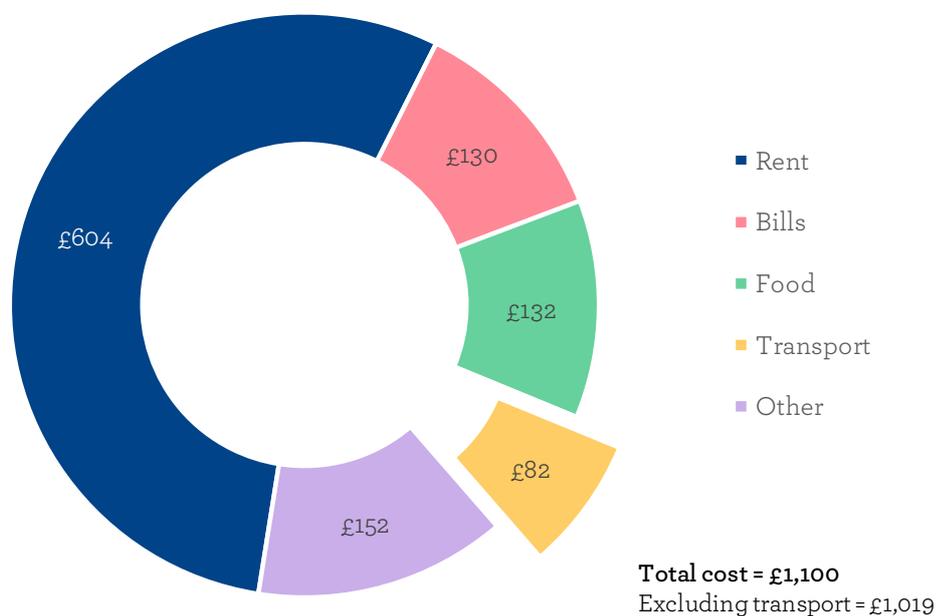
The majority (58%) of advertised internships are in London,⁵ where the cost of living is the highest anywhere in the UK. Research carried out for the TUC found that four in five (78%)

18-34 year olds could not afford to live in London away from home to become an unpaid intern.¹⁹ The high cost of living in London is likely to be pricing out young people from families on low and middle incomes, especially those living outside of the south east, or those whose families cannot offer them a room for free.

Even outside the capital, the cost of working unpaid is prohibitively expensive for many. In Manchester, the minimum cost of living to carry out an unpaid internship is currently £885 per month, or £827 if transport is included (see Figure 2). For a six-month internship, the minimum required in Manchester is £5,313, or £4,965 if transport is covered. While the cost of rent is significantly cheaper than in London, other essential costs still mean working unpaid would not be possible for many young people looking to take up such a position in Manchester.

The figures calculated here include the minimum costs which most young people would be required to pay to undertaken an internship unpaid. However, many interns are likely to face other costs not factored into these calculations – which will depend on an interns’ individual circumstances, and the industry that they’re working in. Possible additional costs include needing to pay for travel to and from London at the start and end of a placement, any new clothing

Figure 1. London - minimum cost of a one month internship



required, and costs associated with after-work events - which interns may be required or expected to attend.

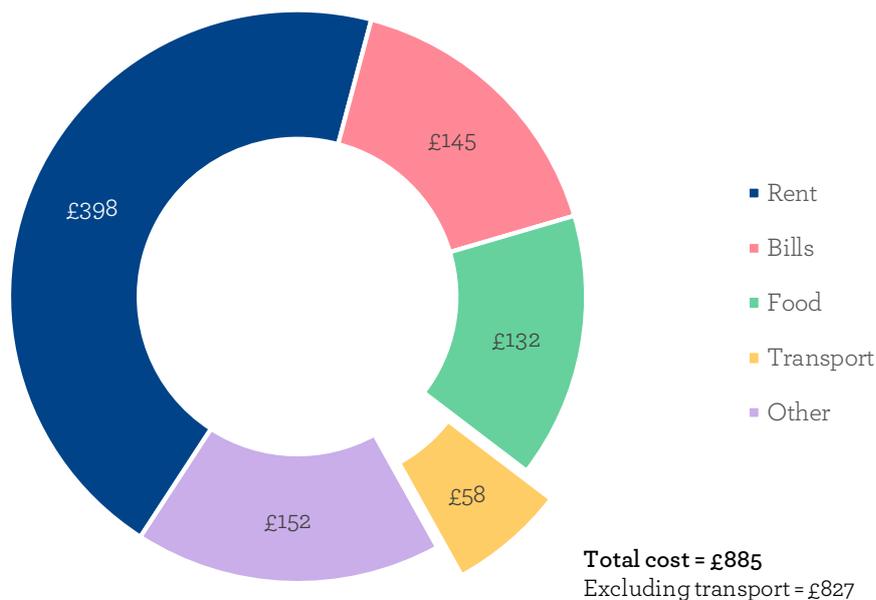
The figure calculated here also assumes that an intern is living in inner London's cheapest borough for combined rent and council tax (currently Newham), and can travel to work from there by bus. However, to commute to some parts of London, this would involve travelling by bus for several hours per day. Costs would be higher if a monthly travel card for the tube was also included (£153.60 from Zone 3 to Zone 1), or if an intern lived in a different part of London which is commutable by bus to their workplace (combined costs for rent and council tax are currently estimated at £635 in Newham, £663 in Haringey, £685 in Lewisham and £687 in Lambeth). A rental deposit, while repaid at the end of the tenancy, is also a significant cost which is required upfront. The average landlord charges four weeks rent as a deposit.²⁰ Based on our rental figures, a minimum deposit is likely to be just over £600 in London, or just under £400 in Manchester.

Conclusion

Internships continue to be unpaid, unadvertised and unfair. This brief highlights the high cost of working unpaid in the UK, but research suggests that many young people are still being asked to work unpaid. Additionally, recent research suggests that many employers continue to give out internships informally, locking out young people without professional networks and contacts.

There are concerns that some employers are either unaware that their interns should be paid, or that some employers are exploiting the lack of clarity in the law to avoid paying their interns. To address this issue, the Sutton Trust is supporting Lord Holmes' private members bill to limit unpaid work experience or internships to four weeks in length. The bill had its first reading in June 2017, and is currently going through Parliament. Polling estimates this change is supported by 72% of the population, with 42% saying that they 'strongly support' such a ban.

Figure 2. Manchester - minimum cost of a one month internship



Additionally, 80% of people want companies to be required to openly advertise internships and work experience opportunities, rather than organise them informally.¹⁷ A ban on unpaid internships over four weeks has also been supported by the APPG on Social Mobility,⁷ and the government's Social Mobility Commission.¹⁷ As internships are increasingly seen as a necessity before a young person can start work,

if they are not paid and not openly advertised, they will continue to be a barrier to social mobility.

Note: All case studies included in this research brief were advertised in January 2018.

This report was written by Dr Rebecca Montacute, Research Fellow at the Sutton Trust.

RECOMMENDATIONS

1. All internships longer than one month should be paid at least the National Minimum Wage.

To open up access to internship opportunities, interns should be paid at least the National Minimum Wage (£7.05 per hour for 21-24 year olds, or £7.50 for over 25s). Preferably, interns should be paid the Living Wage of £8.75 (or London Living Wage, £10.20, in London). The current law should be tightened to ban unpaid internships over four weeks in length.

2. Internship positions should be advertised publicly, rather than being filled informally.

Large numbers of internships are never advertised, and instead offered through informal networks, for example to friends or family of staff. This practice locks out talented young people without connections, limiting their opportunities and hampering their social mobility. All internships should be advertised publicly, so that regardless of connections, all potential applicants can apply.

3. Recruitment processes should be fair, transparent and based on merit.

As well as being openly advertised, the process by which potential candidates are selected for internships should be fair and transparent – upholding the same standards of recruitment as other jobs. All internships should be awarded on merit to the best candidate, not based on personal connections.

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