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An internship in the UK: An opportunity or a form of exploitation?

Student and graduate internships in the United Kingdom

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<p>Every year, there are millions of graduates leaving British higher education (HE) institutions and entering the highly competitive world of work. The competition-fuelled pressure to secure employment drives young scholars to desperation, meaning that they are willing to work for nothing to gain work experience, which gives employers the power to exploit the cost-effective intern army. So why is it suddenly reasonable to use young educated labour and pay them nothing? Why does one have to work for no pay in hope of making himself employable?</p> <p>The purpose of this paper is to explore the question; is an internship an opportunity or a form of exploitation? Based on my observations during an internship at a British intern recruitment business, I found that there is an alarming number of businesses utilising the opportunity to employ cost-effective intern labour. Yet, there are exceptions suggesting that an internship can also be an invaluable opportunity. The competition for work is increasingly high and internships are therefore a long-awaited solution to fill the skills gap between academia and employment. Training is also an important investment into human capital (Becker, 1964), and thereby helps to increase the future earnings (Mincer, 1974). According to Spence's signalling theory (1973) it gives credible signals of certain ability and is used as a 'screening device' indicating a greater ability, according to the screening theory (Stiglitz, 1975). However, unpaid internships have become the new entry-level positions restricting the access to certain industries for the students and graduates with the least financial resources. Such discrimination is also fuelling the inequality in British society. However, internships can be mutually beneficial, yet only if conducted ethically. There is a need for the British government to design a screening mechanism to proactively monitor any provision of internship opportunities and increase the transparency in this subject. Also, it is important to increase the awareness of both interns and businesses to enforce the National Minimum Wage (NMW) Act 1998 and for them to know their legal obligations and entitlements.</p>	
Keywords	Work placement, UK, exploitation, youth, education, employment, inequality, discrimination, career, opportunity, investment, experience, internship

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1 Introduction

The United Kingdom (UK) is one of the most powerful countries in the world. It is a global forerunner of research and development and one of the most important contributors into the world's economy. It's has one of the most powerful cultures, which has greatly affected many others during the past centuries. Another remarkable characteristic is the advanced level of higher education (HE) in the UK. The country is the second most popular location for international students to gain their degrees and to continue working after the graduation.

With the growing number of educated British youth and in addition the increasing number of international students and graduates immigrating to the UK, the competition in the employment market has toughened significantly over the years. The educated youth are required to obtain skills through any possible mediums one of them being a work placement. However, the competition-fuelled pressure to gain employability, drives the youth to desperation. A lot of young graduates and students are therefore looking to work for nothing, which is making today's youth vulnerable to exploitation more than ever.

Also, as a result of the increase in demand for internship places, there are a growing number of British businesses that today greatly rely on intern workforce. Interns can help them in vital aspects of the business and gain an invaluable work experience as a return for their service. Internship is an excellent recruitment tool to test personal match with the business but also an option for immediate, temporary and most importantly cost-effective labour.

This paper explores whether an internship in the UK today is more of an opportunity or a form of exploitation. It will looks into the benefits it brings, examine the effects of misuse of such schemes by British employers and a case study is provided to support the findings.

2 An internship

As the world is constantly becoming a smaller place and competition is increasingly tough, especially for those entering the employment market, there are a variety of ways to increase employability to remain competitive in the battle for employment. Around the world, there are several quite distinctive schemes provided by educational institutions, governments or designed by private sector employers. Some of these schemes include; apprenticeships, work shadowing and workshops. This paper however, only focuses on the rise of the internship generation.

2.1 What is an internship?

Internships have never had a concise definition or framework. Ross Perlin, an American writer, states in his book *Intern Nation: How to Earn Nothing and Learn Little in the Brave New Economy* (2012) that the best thing about internships is that you can spin them because no one really knows what it means (2012: xi). There are vague explanations and not really any standards or codes of conduct defining the phenomenon. He concludes by saying that they are a new, yet distinctive form of transition between education and employment, which can vary greatly in length, content and many other factors (Perlin, 2012: xi).

With a growing popularity, the definition of the scheme has been confused with the professional function of it: a prerequisite for entering the employment market to fill the gap between academia and employment. The purpose of it hence is to help to gain invaluable hands-on industry experience, make useful connections and most importantly prepare one for a permanent job in a desired industry.

Michael True, another recognised internships scholar, has proposed a more thorough, yet not conclusive definition, which states:

An academic internship is a form of experiential education that integrates knowledge and theory learned in the classroom with practical application and skill development in a professional setting. Students earn academic credit, or there is some other connection to a degree-granting, educational institution. This work/learning arrangement is overseen by a faculty or staff member of an educational institution and by a designated employee of an organisation. The internship is usually the length or equivalent of an academic term, may be part-time or full-time, paid or unpaid. An integral component of the experience that distinguishes it from other types of work is one or more forms of structured and deliberate reflection contained within learning agendas or objectives. (True, 2010: 2)



However, the definition by True is highly experiential education focused and fails to incorporate professional experience aspect from the graduates perspective. Nor does it specify the working hours, remuneration or requirements, meaning there is no conclusive, casual definition developed as yet.

A work placement is an invaluable chance to link educational knowledge to the world of work. It is a tool to usher students into employment market and make them work-ready. Internships are thus conceived as the new entry-level positions before a first permanent role in the selected industry.

2.2 History and evolvement of an internship

The roots of internships trace back to 11th century to tradesman and craftsmen guilds. Back then masters took apprentices to serve them for most of their teen years. This was to master their skills and experience so that after completion they could graduate and become journeymen and full members of the guild (Spradlin, 2009).

A medieval apprenticeship lasted approximately seven years and during that period of time a master was providing housing, meals and clothing. The ultimate reward was the 'freedom of the city' gained upon completion – a citizenship, which gave an apprentice the exclusive right to join the guild and establishing crucial trade relations with other tradesman, leading to a successful career and secure income (Perlin, 2012: 48).

However, during the 20th century internships evolved into the concept, as we know it today. The word intern was first introduced in the United States (U.S.) and was initially used for describing a junior doctor. According to historian Rosemary Stevens, the term *interne* was used to describe house physicians, house surgeons and other junior level medical staff, yet not fully qualified as permanent physicians (Stevens, 1978: 2).

With the growing number of knowledge workers in the era, internships in medicine became a prototype for other professions and were quickly integrated to other realms, such as politics and business. The reason for such rise was the training professionalisation and growing standardisation of higher education, which ultimately made internships conceived as a part of the progressive rationalisation of management (Perlin, 2012: 32).



Employers started using it as a recruitment tool to find and train up university students. It was back then when the connections in industries like finance and entertainment gained more importance and work placements offered the best opportunity to gain invaluable experience whilst making crucial contacts.

With the establishment of Human Resources (HR) departments in mid-twentieth century and with the growing demand for contingency labour in post-World War II capitalist economies in 1970s, internships became rapidly popular among employers as an option for flexible labour. HR departments' main responsibility besides managing internal workforce was to find cost-effective way of new employees, whereas with the rise of internships HR professionals were the first to predicate and shape internship schemes (Perlin, 2012: 40).

With the rise of internships, it is now conceived as a general requirement to fill the gap between education and employment encouraged by governments. Not only has it become essential for vocational knowledge, it is also vastly emphasised that internships are crucial for preparing educated youth for employment. Therefore, in many higher education institutes, internships have been made a compulsory part of degree programmes.

From the employer's point of view the purpose of providing internships is most often related to educating and training skills for future purposes, to meet their resource needs in the future. Also, with the rise of flexible labour, internships also fall into the category of contingency work force needed to meet the temporary needs of a business.

Although, there are clear similarities between an internship today and in the past, the purpose however, seem to be more blurred. When back in the time of guilds it was important to recruit apprentices to sustain the healthy existence of such brotherhoods as well as trade within a city, today the benefits are not as immediate nor guaranteed. Also, there was a clearer structure and reporting system for such apprenticeship schemes in medieval Europe, whereas internships today are organisation-specific designed by HR teams.



3 British higher education and internships

The United Kingdom has been one of the forerunners of internships, tracing back to apprenticeships conducted in guilds in medieval England. Today, the UK is among main European countries offering a great deal of internships for both national and international youth, for both university students and graduates. With the highest-ranking universities in the world being located in the country, the British education system is globally recognised. The very first university in the English-speaking world, University of Oxford, with origins tracing back to as far as 1096, still holds the 3rd place in the World University Rankings in 2014-2015 (Times Higher Education, 2014). The international outlook, education level and business links of British universities are highly attractive to youth internationally, whereas these institutions produce the most employable professionals in the world, who are often already equipped with work experience in their study related field.

This chapter looks into British HE and its students to illustrate the population of educated employment seekers leaving British universities annually. It also looks into British higher education layers and how internships have been integrated into degree programmes, and analyses internships from both experiential education as well as professional training aspects.

3.1 Britain's student population

Currently there are a total of 64.1 million people living in the UK. According to the Higher Education Statistics Agency (HESA) there were 2.3 million people enrolled to HE studies, which comprises of 81.8 per cent of UK nationals, 12.8 per cent of non-EU students and 5.4 per cent of other EU nationals (HESA, 2014a). Hence, as little as 3 per cent of the total UK population was enrolled to higher education studies back in 2013 (HESA, 2014a), which is 43 per cent of all 17–30 year-old British citizens (Department for Business, Innovation & Skills, 2014a: 1). The total rate of participation in HE has decreased by 6% over last couple of years meaning that there are less people in UK higher education system today than it was two years ago and has been the lowest between 2008 to 2013 (HESA, 2014a).



The decline occurred briefly after the introduction of the reform in tuition fees in England in 2012, which shifted a greater financial burden of HE by increasing the tuition fees. This has had so far a modest but evidential effect on the total rate of English students in the UK higher education.

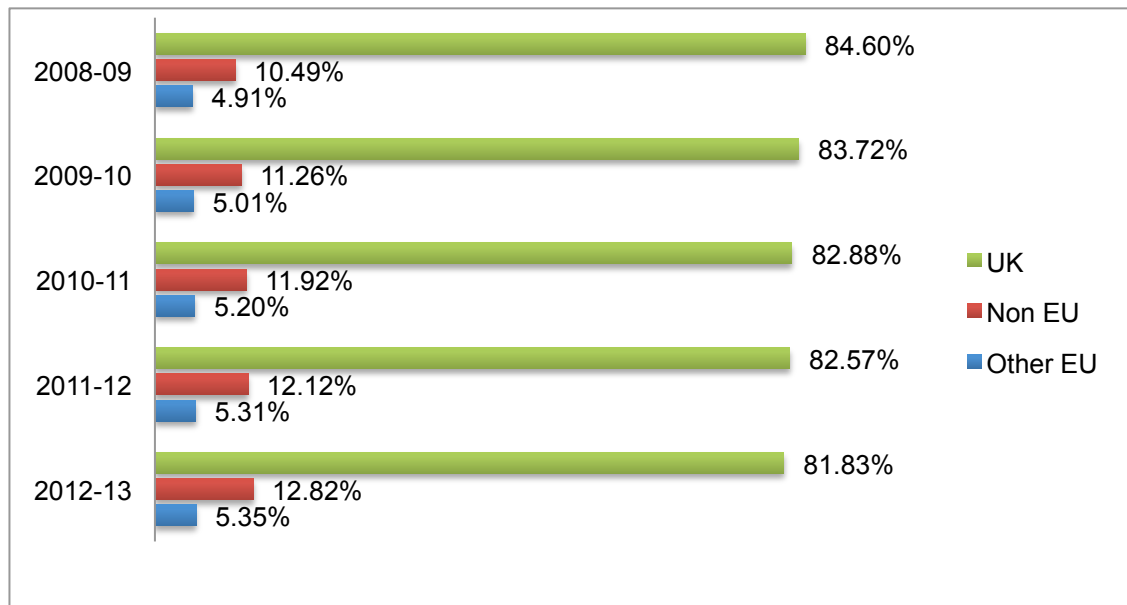


Figure 1. Percentage of students in HE in the UK, 2008 - 2013. Source: HESA, 2014a

According to UNESCO (2014), UK is the second most attractive destination for international students, whereas in 2012 UK hosted a total of 11 per cent of all international students. Although, the total rate of British students has decreased since 2012, the rate of international students in HE, including EU citizens has slightly increased as illustrated on the Figure 1.

3.2 British higher education system

According to the study by Universities UK (2013: 3) there were 163 higher education providers in the UK in 2011/12. Also, the study suggests that there were another 674 alternative or 'private' providers, whereas approximately 160 000 students were undertaking HE at these institutions. The main types of qualifications in UK higher education system are: undergraduate degrees, such as Higher National Diploma (HND) and Bachelor's degree or often referred to as 'first degree', and Master's or postgraduate degrees and Doctorates, or PhDs.

In most cases the work placement year is optional, yet can be built into a degree programme. In either case, a student is granted with academic credits after completion. The internship phenomenon has been fully integrated into British HE system in order to equip the young professional with the closest experience to employment as possible. It will ensure their high competitiveness on both international and national employment markets. However, with millions of international students hosted every year, British youth employment and internships have a competition from both nationally and abroad, making it even more fierce.

3.3 Internships in the UK

Due to a lack of regulations on internships, in most cases there is no requirement to report on intern employment in the UK. Non-paid or low-paid interns are not put on a company's payroll, meaning that no income tax nor national insurance will be paid on interns' remuneration. It also shadows the general intern employment statistics in the country leading to a failure to attain robust data to conduct more thorough researches on the evolvement of this phenomenon in the UK. As does also Perlin (2012: 26) state; "solid statistics about the internship phenomenon have remained as elusive as a proper definition", the current internship statistics or rather lack of them, fails to provide a robust image of the situation in Britain and therefore we have to rely on the many small surveys giving us little knowledge of the provision and nature of internships made available in the UK.

According to the research conducted by Institute of Public Policy Research (IPPR) in 2010, there were more than one in five businesses in the UK planning to recruit interns during the period from April to September in 2010, which was equivalent of 280,800 employers within the UK providing approximately a million internship opportunities during the summer of 2010 (Lawton, 2010: 6). Also, more recent quarterly survey conducted by Chartered Institute of Personnel and Development (CIPD) in spring 2014, concluded that out of 1026 employers there were approximately 16 per cent of businesses providing internship opportunities (CIPD, 2014a: 24).

Another survey conducted in 2013 by Monster UK found that 14 per cent of all interns out of 200 participating in the survey did not receive any kind of financial reward for their contribution, whereas 27 per cent stated that they have received a monetary remuneration to cover expenses.



According to the survey almost one-fourth of the businesses employing interns admitted to be paying less than a minimum wage to its interns. The study also concluded that the main grounds for businesses to not employ interns are the lack of work and internal resource to invest time in training, and insufficient funds to pay remuneration (Monster UK, 2013).

3.4 Legal requirements for internships in the UK

According to the Home Office (2014a), which is a governmental department in the UK responsible for immigration, security, drugs policy and related science and research, the employment status defines intern's rights. Although an intern does not have a legal status on its own, if a person doing an internship classifies as a worker, he or she is entitled to National Minimum Wage (NMW) in the UK (Home Office, 2014a).

Interns fall into the category of worker if they meet the following checklist provided by the UK Department for Business, Innovation and Skills (2011b: 1-2):

1. An intern has a contract or other arrangement with the employer, which entitles the intern to a reward. This contract can be implied or oral, depending on the business practice but it does not necessarily have to be written.
2. A reward must be monetary or benefit of a kind that is not merely a reimbursement of expenses.
3. An intern is required to turn up for work
4. It is an employers duty to provide work for the duration of the internship
5. An intern is required to perform the work personally

Thus, graduates undertaking internships are entitled to NMW by law unless they fail to qualify as workers, yet some employers try to get around the legal system by providing alternative compensations such as 'lunch covered' or 'expenses only', but these are only applicable if an intern is work shadowing or volunteering, or if a specific exemption applies (Home Office, 2014a).

Work shadowing lasts around a couple of weeks and emphasises more on gaining a general insight into a specific industry. It differs from general internship by being more observatory and less hands-on. Volunteers, however, do not have set hours and are not required to a complete list of specific tasks.



According to the UK Department for Business, Innovation and Skills (2011b) volunteers are not required to perform work, follow orders, and do not have to work fixed hours. However, voluntary sector interns tend to be the most vulnerable to exploitation as will be discussed further in this paper. Thus, the NMW Act 1998 does provide some regulations for companies to obey. Yet, as there is no proper mechanism to monitor and govern internships, businesses can take advantage of today's intern generation.

4 Internship – an exploitation or opportunity?

Ever since working class children were encouraged to attend education instead of labouring, capitalistic societies have faced a struggle of escorting educated youth from classrooms to employment. After a century of experimentation, internships have now become a norm among college students and graduates. This fairly new phenomenon has become an essential part of the life of educated youth, conceived as the natural course of action to establish oneself in the world of work. However, as Tamsin Bowers-Brown and Lee Harvey analyse in their publication (2004: 252) on graduate employability in the UK, they find that graduates from British universities face a challenge on finding employment after completing their studies due to the great number of youth entering the HE in the UK. Thus, there is enormously high competition for employment in the UK, providing businesses with the advantage of utilising and even exploiting the intern labour.

There are many views on the usefulness and ethicality of internships, including recommendations and opinions from university leaders, career officers, managers of large corporations and intern associations, however the view on internships is greatly depending on who is defining it. Internship advocates argue that it is a crucial practice to train the students and fresh graduates to be work-ready in order to conquer the world of work. A researcher and author Eric Woodard (2012: 4) calls it the 'silver bullet':

(...) Internships put people to work. Internships give student an edge to their education that makes them job ready when sometimes, academic degrees alone do not. Internships might just be the silver bullet our education system is looking for.

This argument is also strongly supported by theories and statistics discussed later in this chapter suggesting that graduates, who have done a work placement are more likely to find an employment than those who did not. Many also suggest that internships are the contemporary solution to tackle the youth unemployment issue and is an answer to the high demand for contingent labour.

However, there are a growing number of associations and academics strongly opposing internships, due to its exploitative nature. A British journalist Ed Howker and a British writer Shiv Malik (2010: 130) are providing a rather negative view on internships by stating that internships in the globalised world can also be described as a kind of soul-destroying quasi-enslavement.



Due to the permissive nature of the internship era, the phenomenon has evolved into the concept it is today, which is considered by critics as “ill-disposed to regulation and blind to labour issues” (Perlin, 2012: 58). Thus, the opposition claims that the intern issue in the UK is greatly underreported due to the lack of regulation in this matter, which fails to give intern a legal status and thereby creating a legal loophole making interns more vulnerable to exploitation by businesses.

Therefore, this chapter will look deeper in to the arguments both for internship as an opportunity and what the rewards are, but also attempts to look into the reasons why internships have become so critically commented. We will explore the level of intern exploitation in the UK and see what are the repercussions of it to society in general.

4.1 Investment into the future

Napoleon Hill, a writer of modern motivation and leadership, has said that an opportunity often comes in a disguised form of misfortune or temporary defeat and that is why so many fail to recognise it (1937: 30). This links well to internship phenomenon – many fail to recognise the rewards of it, as they are well disguised and not immediate. This section will analyse how a work placement is a disguised investment from academic, employment and wage perspectives and also looks into the link between internships and youth unemployment.

4.1.1 Academic aspect

Although vocational degrees have become more popular among students and strongly supported by the British government, to understand how undertaking an internship is an investment into one’s future, it must be looked into the very seed of it: how internships help to link the theory to practice and how it therefore helps to further interpret a specific field of study.

Duignan (2002: 214-221) conducted a study between two groups of students: who did take a sandwich year and those who did not. He did not find any significant indications of performance improvement, yet did not suggest there was no enhancement at all. He suggested that students failed to exploit to the full the learning potential of a placement for main reasons being motivation, placement architecture and the nature of the processes learning transfer related.



Whereas, study by Gomez et al. (2004: 373) concludes that students who chose to undertake an optional work placement, did benefit from such experience. They used multiple linear regression analysis to compare their findings gathered and based on that concluded:

On average, placement students gain an advantage of nearly 4% in their final year performance. Given that the final year contributes 75% towards degree classification, over a quarter of placement students may benefit from the independent effect of mode of study by crossing a threshold into a higher degree class (Gomez et al, 2004: 373).

However, they did agree that the results were anecdotal due to the lack of further statistical analysis and for little supportive evidence in the literature. Therefore one must exercise a degree of caution when concluding a straightforward effect of placement on to academic performance (Gomez et al., 2004: 373).

Study by Mandilaras (2004: 37-51) investigating economics students post-internship performance, concludes that an optional internship undertaken during studies, significantly contributes to obtaining a higher-class degree. He concludes:

The obtained results indicate that opting to do the placement increased the likelihood of an upper-second-class degree by 30%. The probability of obtaining a lower second is also lower for a student who has been on industrial placement. The probability of a lower second is 69% for a non-placement student compared to 39% for a placement student. (Mandilaras, 2004: 47)

Another research by Higher Education Funding Council for England (HEFCE) in 2009 studied a cohort of students entering first-degree full-time courses in British HE institutions in 2002-03 who participated in the Erasmus programme, a work placement or other periods of study abroad. Their findings suggested that 80 per cent of the students who undertook internships, obtained a higher-class degree, compared to that of 68 per cent of students who did neither a placement nor study abroad, and instead did a four-year course (HEFCE, 2009: 26).

There are many other small quantitative researches supporting the argument of positive correlation between work placement and academic performance. Higson et al. (2011) however took it to a completely new level. They tried to understand whether 'better' students do placement or do placement produce 'better' students, instead of merely examining the results by comparing the academic performances of students who did a work placement and of those who did not.



They concluded that although a successful internship adds significantly to the subsequent academic performance, it is not the coefficient of placements in the equation that produces the higher academic performance results and instead 'placement students do better because they are better students' (Higson et al, 2011).

Therefore, previous quantitative researches on the relation between academia and internships strongly suggest there is a positive correlation between those two. Yet, such interdependence can only take place if the placement architecture is well developed in order to create a favourable environment for a student or a graduate to fully exploit the learning potential of it. Therefore, the investment into the future really starts from academia and placements can significantly add to the pursuit of a career, yet it does not act as a 'machine' producing successful soon-to-be-graduates.

4.1.2 Increased employability

Whilst a work placement can contribute to academic performance and thereby obtain a higher degree class on graduation, will it eventually pay off in the world of work? In this section, we will try to link existing theories to researches and surveys conducted to investigate whether casual conclusions can be drawn.

First of all, based on the uncertainty theory (Akerlof, 1970: 488-500), the graduates who have done a work placement are more likely to be selected for a job than those who did not. The uncertainty theory suggests that employers would attempt to decrease the uncertainty and thereby minimise the opportunity cost, by selecting a person, who has previous work experience, for a job. Therefore, the theory strongly suggests that placement students or graduates are more likely to receive a job offer than those who have not completed a work placement.

Also, the research by HEFCE concluded that students, who did a work placement, were more likely to secure an employment six months after graduating. The research shows that 96 per cent of the placement students were employed six months after qualifying, which was the highest compared to other students (2009: 28). It clearly highlights the future benefits of internships, yet the research fails to take into account other factors such as location-specific economic activity, employment rate, personal ability, placement architecture, motivation and other factors affecting the success of a placement and its contribution to academic results and employment.



Also, another survey by High Fliers (2014a: 6) strongly supports the argument. They concluded that over a half of corporate recruiters claimed that graduates without any previous experience are unlikely to be selected in the application process and have little or no chance in receiving a job offer for their organisations' graduate schemes.

Research shows that approximately 36 per cent of students who undertook a work placement received at least one permanent job offer by March 2013 after completing their studies, whereas there were only 11 per cent of other graduates, who had secured an employment (Paton, 2013).

Therefore, although there is no robust data available due to lack of reporting mechanism, yet small surveys and researches support the theory, suggesting that getting an internship in desired industry, whether paid or unpaid, definitely is an investment of both time and money to secure a permanent employment in the future. Internships really are the contemporary solution to usher scholars to the world of work, whilst are well suited to function in today's dynamic and intangible economy. Whether a disguised opportunity is recognised by students or graduates, statistics and theory are strongly reinforcing the argument of internships having an increasing effect on employability.

4.1.3 Expected positive wage returns

As both students and graduates often choose to do a work placement to increase employability and work readiness and thereby ensure permanent employment in the future, yet there is a reason to believe it will also lead to higher earnings.

Human capital theory (Becker, 1964) suggests that an investment in education and training are investments in capital – human capital, as it will lead to obtaining additional knowledge and competence and thereby will increase one's future earnings. Becker's theory is greatly tied to Mincer's theory (1974) of distribution of earnings, which looks into how present value of lifetime earnings can be maximised by human capital investment into education and internships. Explicitly, based on his theory, an investment into education and training improves the skills, attitude, and competence and thereby increases the overall 'productivity' of a worker, which is leading to positive wage returns.



According to Spence's theory of signalling (1973) however, the education and previous internships provide employer with credible signals of otherwise unknown capability of a prospective employee in a hiring process. Furthermore, Stiglitz's screening theory (1975) suggests that education and training serve as 'screening devices' or qualities, providing signals to the employer about unknown information about a prospective employee's abilities and thereby the information gained helps them to match a job with skills. Therefore, based on these theories, internships can give the soon-to-be-graduates the edge of being selected for a 'better' job and greater salaries in the future through their already existing education and work experience, whilst the latter are serving as screening devices for 'labelling individuals' by their credible signals of greater ability.

The research by HEFCE supports the theory. It suggests that around 35 per cent of all placement students were earning more than £20,000 per annum six months after completing their studies, which was more compared to those who had not undertaken an internship (HEFCE, 2009: 30). Therefore, as the theories suggests, there is a strong reason to believe that investment of both time and capital into training and education, does pay off and positive wage returns can be expected.

4.1.4 Test-drive an internship

There are millions of students and graduates not knowing what they would ideally like to do for living: a problem, which is quite often resolved through internships. An internship advocate Sarvesh Agrawal nails it by saying:

It is the first job before your first job. It allows you to get your foot in the door without having to make a lifetime commitment while exploring the breadth and depth of a profession. An internship helps you to make a better-informed career choice and avoid a potential first job mishap (Woodard et al., 2012: 63).

It provides a student or a graduate with actual industry insight and experience in their desired field. Some might idealise popular disciplines such as marketing or creative, yet once experienced the wrong choices can be avoided at the early stages of career selection by merely test-driving both job and a field through an internship.

Not only is work experience an investment for the ones doing it, but also for businesses conducting it. It gives businesses access to greater talent pool and allows them to test-drive the personal match as well as adaptability of an intern to the business.



So does also Jeremy Stafford, a former CEO of Serco Group, value internships. His statement to CIPD was:

We are a growing business and need new talent to deliver. There is no substitute for people experiencing the culture of the organisation and for us to experience their work ethic and attitude. It helps people to discover the industry and why they want to work here (CIPDb, 2012: 7).

A learning talent development survey conducted by CIPD (2010c: 9) strongly supports the argument by concluding that a total of 76 per cent of employers consider internships beneficial for testing the potential new staff members. It is therefore an opportunity for employers to cut the costs in recruitment through finding a right match. Such practice helps to ensure the motivation and suitability of a candidate and thus leads to reducing the overall employee turnover and recruitment cost in long run.

There have been many small-scaled surveys conducted into this matter, all proving the same. A survey by Monster UK (2013) concludes that 74 per cent (out of 285) of British employers are hiring interns with the future objective of taking them on permanently. This argument is also reinforced by High Fliers study into graduate market (2013b: 18) suggesting that a third of entry-level positions were filled by graduates, who participated in internship scheme in the same business during their studies. Also, Centrica, a multinational utilities company based in the UK, has filled 38 per cent of their graduate openings with candidates from their previous internship programmes (Briggs & Daly, 2012). Although, many would call it discrimination, it is yet an employer's freedom to pick the ripest apple for their basket.

Hence, HR departments might have just done an invaluable discovery to settle the ever-growing pressure of finding a cost-effective as well as effectual recruitment tool for sourcing fresh talent. Also, young interns do bring fresh views and new ideas on ways of doing things into businesses, which ensures that enterprises will keep pace with the fast moving market trends and will thereby retain their market share and sustainability.

4.1.5 More internships to tackle the youth unemployment

Youth unemployment is another very delicate matter to bring to one's attention in analysing internships necessity and ethicality. With youth unemployment reaching 22 per cent in 2012, the British society was in a great distress trying to rebalance the economy and generate more employment.



Nick Clegg, British Deputy Prime Minister (2012) urged in his speech the need for businesses to work alongside the government, to open up internships programmes and thereby assist in ushering students to the world of work.

Despite the recent economic recovery UK has undergone leading to employment generation, it has not and according to IPPR will not resolve the youth unemployment problem. A report published by British centre-left think tank IPPR's Chief Economist Tony Dolphin (2014), concludes that although the youth unemployment has fallen from 20.9 per cent to 17.8 per cent within a year (2014: 5), the economic recovery will not resolve the structural youth unemployment issue in the UK. Based on his findings, he therefore urges the integration of vocational route into formal education, in order to fill the skills gap. He puts it:

Although there has been a sharp fall in the number of unemployed young people over the last year, it is unlikely that even a full-blown economic recovery will fully solve the UK's structural youth unemployment problem. A strong workplace-based vocational education and training system, with high employer involvement, contributes more to a smoother transition from education to work and a low rate of youth unemployment than anything else. (Dolphin, 2014: 1)

Although economic recovery has been the main reasons for the significant fall in the youth unemployment rate over last couple of years, the rise of internships has played its part as well and according to both Tony Dolphin and Nick Clegg internships are the solution to tackle the youth unemployment issue in the UK.

Furthermore, the UK government has also designed an unemployed graduate internship scheme to tackle the issue of youth unemployment. It allows a young person, registered with a job centre as unemployed, to do an unpaid work placement with maximum length of three months, whilst still claiming unemployment benefits (Jamieson, 2009). Thereby, it helps those in need to develop their skills whilst being subsidised by the government.

Internships seem to be considered as the contemporary resolution to fight back youth unemployment, meaning that not only is it an invaluable tool for HR departments and businesses, but also for the government alongside businesses, to confront the high youth unemployment in the UK. It is also supported by the human capital investment theory (Becker, 1964), explicitly saying that training as an investment into human capital increases the competence as well as productivity of an individual.



Therefore, as examined throughout this chapter, internships have a strong record proving to be an invaluable opportunity to secure a better future from employment and financial aspect. Supported by theory and statistics, it is safe to say internships are the contemporary solution to escort students to the world of work and also to reduce youth unemployment.

On an individual level, a work placement contributes into securing a permanent employment on a higher salary in the future, whereas enables to guarantee choosing a suitable career path through test-driving an industry and occupation. Also, a survey by CIPD concludes that more than 78 per cent of employers agreed that internships are beneficial for interns in the long run, whereas seven in ten agreed that work placements are good way to develop new talent in an industry (CIPD, 2010c: 9). A vast majority of employers believe internships are beneficial in two ways: to develop the skills in order to meet the market needs and also to test-drive the new potential new staff.

4.2 Internship generation - the era of exploitation

With the growing percentage of educated youth entering the world of work annually, the competition is extremely high and is therefore driving the students and graduates to desperation. Internships have thereby become an easy, legal and cost-effective solution for sourcing temporary labour. With no legal grounds provided for certain types of internships by NMW Act 1998, businesses can get away with maltreatment. Therefore, this chapter looks into the intern exploitation in the UK and what are the repercussions of it to society and business in general.

4.2.1 The army of unpaid interns

An internship has become a prerequisite for a young scholar for securing work. However, with growing number of young people eager to do an internship, businesses in the UK can make them work for nothing. Furthermore, even after undertaking an unpaid internship after another, with harshened competition in the labour market, fresh graduates and students struggle to secure a paid position. So does also a report by the Institute of Employment in 2010 conclude, that even four years after finishing their studies, 23 per cent of creative sector graduates where still undertaking unpaid work (Gunnell & Bright, 2010: 21).



It raises many questions: what has happened to British businesses' code of conduct tackling youth employment and why is it suddenly reasonable to use young labour and pay them nothing? What is wrong with our society – why does one have to commit to unpaid work in hope of making himself employable? Gunnell & Bright call it “institutionalised unpaid labour” (2010: 24).

In fact, it is completely in compliance with the law not to pay to an intern, if he or she is required to undertake a work placement as part of a degree programme. Therefore, it is completely blind to regulation and therefore vastly underreported matter, whilst employers keep utilising the opportunity of cutting costs on labour and instead employing interns.

Evidence is provided in the research conducted by CIPD (2010c: 9) concluding that over 52 per cent of employer participants agreed that interns are a cost-effective resource. Whereas, the study also suggests that over one fifth of all employers do not pay their interns any salary, whereas 18 per cent do cover travel expenses only (CIPD, 2010c: 3). Another study conducted by university career agency Graduate Prospects, by asking from 22,000 UK graduates about the work experience during their studies in 2006-2010, 43 per cent of them reported they undertook an unpaid internship (Snowdon, 2011).

Although, there is no robust data available, these small scale studies do provide some evidence that there are a great number of unpaid internships on offer in the UK, suggesting also that British interns are vastly exploited.

4.2.1.1 Rolling internships

Although, NMW Act 1998 does provide some guidance for graduate interns, it fails to protect student interns, who are required or willing to undertake internships. Therefore, there is a legal loophole there, enabling businesses to exploit student labour. As using unpaid interns instead of recruiting permanent paid workers, it does cut the fixed costs in long run. This has had a copycat effect among British businesses. Yet, as NMW Act 1998 restricts the maximum length of an internship to 12 months, employers have responded to the regulation with a phenomenon called ‘rolling internships’. Simply put, it is a vacancy regularly refilled with one intern after another at the end of the legal time limit for an internship. Thereby, it is kept rolling.



It works like an employment cycle for permanent roles but within a relatively short period of time - maximum of 12 months. It starts with an induction carried out by a predecessor intern, who conducts the necessary training for the successor to perform a job successfully. Again, at the end of an internship the finishing intern is responsible for ensuring all knowledge is passed on to an incoming intern during a handover period.

This kind of work experience might lead to a permanent job offer, but is quite unlikely. Sociologist Mark Granovetter also shares the view on such a low chance. He says that there are few cases around to provide encouragement. Yet, there are not enough cases to make it likely for a particular person (Perlin, 2012: 29). Employers however are thereby legally exploiting interns, whilst reducing fixed costs in long-term and saving time and financial input on training. Such placements are very often unpaid, which makes it even more unscrupulous, yet legal practice.

4.2.1.2 Voluntary internships

The worst off are the voluntary sector interns as NMW Act 1998 does not provide any legal ground for them to qualify as workers even if the internship is undertaken post graduation. Section 44 (1) in the NMW Act 1998 (c. 39) states:

A worker employed by a charity, a voluntary organisation, an associated fund-raising body or a statutory body does not qualify for the national minimum employment is entitled to no monetary payments of any description, or no monetary payments except wage in respect of that employment if he receives, and under the terms of his in respect of expenses.

Although, this Parliament Act attempts to encourage the volunteer activity within charity sector, it creates a legal grey area leaving interns in the third sector the most vulnerable to exploitation. Also, 'voluntary internships' are like a smoke screen to hide law violation and cause confusion among interns and are therefore also widely spread. Such voluntary internships are also very common even in the UK Parliament. According to Brian Wheeler at BBC News (2014), members of parliament (MPs) including Liberal Democrat John Leech have been secretly hiring unpaid interns. Also a survey by Unite (2009) concluded that there were approximately 450 unpaid interns working at the UK Parliament and MPs offices. Although, these interns are claimed to be volunteers, they are required to perform a set of tasks and work specific hours, meaning that they fail to meet the requirements for voluntary internships, discussed in chapter 3 (4).



There are hundreds of other businesses like copycats following the same pattern of hiring only 'genuine volunteers', whereas the desperation of unemployed youth to work for nothing is furthermore fuelling such exploitation. Yet, the phenomenon in voluntary sector is greatly under-researched, reported and written and therefore no robust statistics are attainable (Gerada, 2013: 3).

Therefore the concept of 'voluntary internships' clearly has blurred lines, meaning that it is conceived as an essential course of action for someone without any experience, and therefore everyone who can afford unpaid internship will 'voluntarily' undertake one. Also, with the rise of unpaid internships in the third sector, it has become the first rung on the ladder or the new entry-level position restricting the access to voluntary field. However, as unpaid internships are really only available for young people, who's families can provide them with financial support, it also encourages discrimination in British society and increases the inequality gap, as discussed further in this chapter. This view is also shared by Charlotte Gerada, at Intern Aware, who says:

As youth unemployment races past the 1 million mark, young people are facing an increasingly difficult task getting a first foot on the career ladder, particularly in the third sector. The time has come to reveal and critique the role charities play in hindering social mobility, contributing to social inequality and fuelling inaccessibility (Gerada, 2013: 3).

Therefore, although charities have been under a protective shell of NMW Act 1998, there is an urgent need to stop mass exploitation in the third sector. Not only is it damaging the ethics of society, but also with restricting the access into the sector by gatekeeping it with unpaid internships, also the entry level paid work in the sector is reduced (Gerada, 2013: 3).

4.2.2 Fuelling the inequality and discrimination in society

Everyone comes with a different history: some people are doing better in life than others. So are also students and graduates affected by the wealth of their households in pursuing of careers. As young people are likely to be subsidised by their families and especially during their studies, low-paid households cannot afford to provide a financial support to their children to undertake unpaid internships. However, as illustrated earlier in this paper, in order to enter a specific field, quite often first rung on a ladder is an unpaid internship, restricting the accessibility to this sector. Thereby, it is discriminatory and also fuels the inequality gap in the British society.



Alan Milburn (MP) has agreed with the necessity to end the era of unpaid internships due to its discriminatory and inequality-fuelling nature. He agrees that the cost of undertaking an internship is putting many people off and those with the least financial resources are missing out (Cabinet Office, 2009: 101).

Also, a study by Kayte Lawton at IPPR reflects a great concern about the less well-off students missing out on an opportunity. She states that it is a very great shame that talented youth, who cannot rely on parents' financial support to undertake unpaid internships, are missing out on opportunities and calls it "a waste of talent" (Lawton, 2010: 8). Lawton expresses her concerns by saying:

It also adds to existing patterns of inequalities in both economic well-being and power by helping to ensure that certain occupations and sectors remain dominated by people from particular backgrounds. (Lawton, 2010: 9)

A study by Gerada (2013: 3) also concludes that unpaid internships put young people with less financial resources in a rather disadvantageous position, whilst damaging the industry in general due to losing great talent. Therefore, the students from well-off families have immediate advantage over the less well-off making unpaid internships highly discriminatory. Thus, it also leads to increasing the inequality gap in society in long-term by taking the chance from students from low-income families to gain the invaluable experience and an access to a desired sector.

4.2.3 The moral of British business society

Besides being discriminative, the provision of unpaid internships undermines the moral and social responsibility of British business society by cutting contribution to economy and national health care.

As discussed in chapter 3, during the summer of 2010 there were approximately million internship opportunities available. If assuming all interns were over 21 years old and they would all be entitled to and paid the NMW, they would earn £6.50 per hour (Home Office, 2014b), which is £975 per month. This is based on assuming they work 7.5 hours a day and five days in a week. Therefore, meaning that according to the current tax law, such employers should pay monthly tax in total of £28.33 (Home Office, 2014c) and National Insurance (NI) of £43.06 (HMRC, 2014: 6) per month.

When taking into account there were approximately million internship opportunities during the summer 2010, the total NI paid should be around £43m and total tax around £28m. Although, there is no robust data to support these calculations, meaning that we cannot draw vigorous conclusions, but if we do assume that almost half of the internships were unpaid or expenses only as suggested by the study by Graduate Prospects (Snowdon, 2011) in chapter 4 the contribution to society are cut by a shameful amount of money just by employing interns.

However, with a large group of young people willing to work for free, there is no incentive for businesses to pay for their efforts, which leads to a change in the graduate's outlook in the long-term. It could be that in next ten years graduates do not know what an entry-level paid position is, but instead would be obliged to work for free after graduation. That is what the future society is rapidly moving towards.

Also, with more unpaid interns being supported by Britain's households or families, the wealth kept in such a household is decreasing in the long run, as there is less discretionary income to spend due to the extended period of time a family needs to support their offspring. This again means less saving per household and ultimately a decrease in the standard of living among low-income families due to widened inequality gap and access to certain sectors.

Exploiting interns has a long-term effect on the morals of work practices as well as the social responsibility of the business society. The growing greed of businesses, driven by the competition in the commercial sector, and the competition for employment among youth are the two driving forces undermining the practice of ethical internship schemes.

Although the British government has published a code of conduct for businesses recruiting for interns, as discussed in the next chapter, there is an urgent need for the British government to step in more fiercely in order to take control and stop businesses damaging the moral of the business sector, society and wealth distribution in the UK.

4.3 British society combating intern exploitation

The British public has somewhat reduced the power of the employers by establishing organisations and running campaigns to fight back the unpaid internships schemes exploiting interns. Among such establishments are Graduate Frog, Interns Aware, Internocracy and Interns Anonymous. These organisations are combating illegal exploitation of interns by publishing real cases to increase public awareness as well as providing legal advice and guidance to fight against such corporate power.

After the epidemic burst in the number of unpaid internships, the problem in the UK has found a wide media coverage and thereby urged constitutional actions. Consequently, in 2010 British Trade Union Congress (TUC) in collaboration with the British government and other employers' institutes published a First Code of Best Practice of High-Quality Internships to answer to the public exhort. However, this publication provides merely suggestions and legal advice instead of actually tackling the problem of youth exploitation.

Yet, under NMW Act 1998 the UK government has provided some guidance for interns, saying that they should be paid if they have a list of duties and they are working for set hours, which is however inapplicable for student interns. Therefore, an intern can get justice by contacting Pay and Work Rights Helpline for assistance or the National Minimum Wage Helpline, which is a service made available by HMRC. Also, the previously mentioned websites and associations are there to provide guidance and help for interns to get justice. With increasing public awareness, there are more young people reporting on the illegal activity of employers, meaning public has some idea of the level of exploitation in the UK.

Also, as a result of public actions, the government has had to deal with growing number of law cases against employers violating the law. In 2013, HMRC discovered a great deal of unpaid internships schemes around the UK. Among these companies was Arcadia Group, a British multinational company, who owns a great deal of well-respected high street brands such as Topshop, Burton and Dorothy Perkins. The company had to pay out around £200 000 in compensations to its previous unpaid interns and was also fined accordingly for violating the law (Wedlake Bell, 2013). However, there are many others, who are still entitled to compensation, but have not got their justice as yet.



Therefore, certain actions have been taken to move towards fairer employment practices for youth as discussed before. Yet, it does not resolve the issue completely as long as there is no proper reporting system on internships or appropriate mechanism to record complaints of maltreatment.

5 Observations: Intern in a British student recruitment business

An initial idea for this research and the final basis to support my research derived from the work placement undertaken at a student and graduate recruitment agency in the UK. The business is located in the heart of England in Warwickshire and acts as an intermediary between businesses willing to employ an intern or a graduate or the ones looking for an internship. It provides opportunity for international students from other EU countries to find an internship place in the UK. I was working for the business in total of 6 months between July 2013 and January 2014 as an Assistant Marketing and Resourcing Manager.

Although it was an intern position, all the tasks assigned had a vital importance for the running and wealth of the business. My job tasks included processing all the incoming applications and it was my responsibility to decide whether a person was suitable for an intern or a graduate position we were recruiting for. I was also responsible for all of their digital marketing. My tasks included composing and delivering marketing campaigns on a monthly basis, and also I compiled a weekly newsletter, which was then sent out to all candidates and universities. This work placement provided me with an ideal chance to observe the industry and thereby supported me in analysing the problem for this thesis.

The recruitment agency I worked for was quite small, around ten people establishment with a yearly turnover of approximately £200 000. We placed interns to more than 30 small and medium-sized British businesses. In compliance with company's code of conduct, we required our clients to pay interns at least a minimum remuneration of £600 per month. That is considerably less than a British NMW. However, as there was a requirement for students to be eligible for Erasmus grant or equivalent, the business did not breach the law by recruiting for internships paying less than NMW.

In general, most of the businesses that used this recruitment business did pay their interns less than the NMW, but there was only one exception during my internship, when an employer offered to pay NMW to an intern. However, out of the total number of British employers the business worked with during the time of my internship, approximately 16 per cent (5 out of 30) required interns on a rolling contract basis, meaning that in every six-month time they would need a replacement for the predecessor, who would conduct the training to pass the essential knowledge and thereby prepare the incoming intern to successfully perform the job tasks.



The positions were real jobs with great responsibility and the requirements for interns to qualify were often incredibly high. Some of the intern roles we recruited for were Front-end Developer, Econometrician, Graphic Designer and Recruitment Consultant. Also, the business that I was working for had two rolling internships, one of them being the intern role I was recruited for.

Another observation I made, was the general rate of interns taken on permanently after finishing internships. During my internship, eight out of 30 (27 per cent) businesses took an intern on permanently after the end of the work placement. However, my observations were unfortunately limited due to the duration of my own work placement, and also the sample of businesses observed was relatively small to provide more conclusive statements.

Based on my experience, I saw how British businesses were taking advantage of the legal loophole, which permits employers to utilise educated youth on constant basis without restrictions. Thereby, they were filling the once entry-level positions without actually permanently employing a person. This scheme allows businesses not only exploit interns, but also to avoid paying income tax and thereby making no contribution into society or economy. Also, my observations assured that most of the employers, who used this recruitment business were looking to pay as little as possible to interns. Again, an employer can argue that interns are unqualified, unskilled and need training and are there to gain experience and therefore not really contributing into the business' wealth, but the truth is that these interns we placed at businesses were expected to be more than just students on a work placement. They were expected go beyond the intern status and perform often quite complex job tasks assigned to them.

The experience working as an intern in a British recruitment business provided me with a great insight to the industry and how the interns are treated in general. Although, due to various limitations such as time-scale and the size of the business I cannot draw robust conclusions on Britain's internship generation, but can conclude based on my experience, that there are numerous businesses exploiting the cheap student labour.

6 The answer

As there is no robust data available to really draw vigorous conclusions of the effect of internships, the verdict depends on the person judging it. Can a student doing an unpaid or low-paid internship or in other words classified as on training, be deemed as exploited? Or is internship really a righteously designed tool adjusted to today's employment market's need to equip youth with the necessary skills to enter the world of work? It really depends on how it is used or misused.

Yes, indeed, there are businesses providing internships with exploitative nature. Yet, in desperation to increase their employability, students and graduates themselves give employers the power to exploit them. According to a small-scale survey in 2010, more than 80 per cent of recent graduates or soon-to-be-graduates were willing to work for free, despite considering it exploitative (Perlin, 2012: 125). Therefore, there are no incentives for businesses to even pay to their interns. Consequently, less well-off students and graduates will miss out on the opportunity to access certain industries via unpaid internships as they just cannot afford to work for free. Ultimately, such discrimination has an inequality-fuelling effect on society, whereas businesses are also missing out on talent. Thus, the UK is moving towards undermining its own business sector. Also, as there is no legal recognition for an intern in British law and due to it being blind to regulation, work placements are often considered as a 'hidden economy', meaning that in most cases businesses do not put money back into society via tax collection and there is no requirement for reporting on most of internships.

However, Jennifer Lee, British hotel chain Jurys Inn HR Director, says that work experience is a two-way street, meaning that both sides have to contribute to receive and there are responsibilities for both parties (CIPD, 2012c: 7). Studies support the theory suggesting that internships have a significant effect on the future of graduates. It is a way to obtain transferrable skills, increase employability and performance and most importantly to maximise future earnings by investing into human capital (Becker 1964; Mincer 1964).

Critics however claim that internships are an artificial solution to decrease the number of unemployed youth by shading the youth unemployment rates rather than resolving it. Malik and Howker (2010: 134) call it "a political cover for governments who have failed to equip them for work".



Yet, theories and statistics strongly support the argument of work placements being a contemporary solution to tackle youth unemployment in the UK by ushering students to the world of work and thereby reducing the skills gap.

Based on my own observations whilst working at a student and graduate recruitment business in the UK, there was evidence of intern exploitation. However, my findings are not sufficient to provide a conclusive view on the subject. As an intern at a British business myself, it did provide me with an insight into how British businesses are using the internship phenomenon for mainly its cost-effective benefit and not for what it is originally designed for. I personally experienced an example of misuse of an internship scheme, which was the provision of a rolling-contract intern resource whilst paying them roughly half of what a person on NMW earns. Such contracts are increasingly replacing permanent positions in businesses by merely assigning the tasks to interns. Also, Ben Lyon a co-director of Intern Aware said to the Guardian that their recent YouGov poll showed that around 82% businesses providing internships agreed that their interns are performing vital tasks and are therefore contributing into the wealth of the business (Boffey, 2015). Hence, running rolling-internships can significantly reduce businesses fix costs and it can indeed undercut low-paid permanent staff (Boffey, 2015). Shamefully, such maltreatment is legal under the UK employment law, as due to the training requirement in HE programmes, employers are not required to pay for their intern resource and can legally keep misusing the position of internships. Yet, during my internship period, there were cases where students were taken on permanently after the placement, suggesting that internships really can be the gateway to the world of work, but the likelihood for that is really depending on how businesses regard the internship phenomenon.

Hence, internships can be beneficial for both parties if ethically conducted. However, in order to enforce this, there is a critical need for the UK government to take back the control over such schemes as it has gone out of their hands while the business sector is still taking advantage of interns desperate for work. Also, internships should be considered as investment for both parties involved. Paying a fair wage and providing proper training are therefore the cornerstones for gearing up the potential future employee and encouraging them to increase their input into the business and thereby utilising the full potential of the person. After all, happy employees are the most productive ones.



7 Recommendations

Employability goes hand in hand with competitiveness and therefore gaining work experience through internships will pay off in the future. However, there are some actions to be taken to enforce mutually beneficial and ethical internships.

Increase the awareness

There is a crucial need to increase the awareness among these students and graduates to know their entitlements and legal rights. Associations like Graduate Frog, Intern Aware and Unite the Union are there to assist the youth population in Britain to ensure ethical internships are brought back to life and thereby to stop employers damaging the work practices and society in general. However, also the government's should communicate the NMW requirements to both interns and businesses to increase awareness of private sector employers.

Reduce the corporate power

In order to stop such exploitation and reduce the implications on society, British government has to take back the control over such schemes. It is vital to enforce the ethical conduct of internship schemes to stop moving towards widening the inequality gap. As HMRC is responsible for enforcing the NMW Act, they should be proactively screening any provision of internships to ensure compliancy with the law.

Increase the transparency

As the main problem with work placements is that they are not very easily monitored, due to lack of regulation and are therefore missing a reporting mechanism. Therefore HMRC should also establish a mechanism to monitor the internships in the UK. It would thereby increase the transparency regarding work placements and assist in detecting any maltreatment. Also, such mechanism would ensure the obedience to the law and would make sure businesses using interns will also make their contribution into society.

Put an end to third sector exploitation

The voluntary sector unpaid internships also should be made illegal under NMW Act. The third sector is becoming exclusive for people from certain backgrounds due to restricted access. Voluntary interns, too, are workers and should get paid for their work.



All interns should be paid

Interns are given a level of responsibility. They are assigned to complete vital tasks for the business and work set hours and therefore they should be paid at least NMW for their contribution. All interns should be paid regardless of whether they are students or graduates. It would thereby widen the talent pool for the business and stop fuelling the inequality in society.

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