

A large graphic of a staircase that starts with light blue steps on the left and transitions to orange steps on the right. The steps are 3D-rendered with perspective, creating a sense of depth and movement.

THE INBETWEENERS

THE NEW ROLE OF INTERNSHIPS
IN THE GRADUATE LABOUR MARKET

Carys Roberts

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Institute for Public Policy Research

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SUMMARY

60-SECOND SUMMARY

Each year up to 70,000 internships take place, offering mostly graduates the chance to gain experience in the workplace. Many internships, however, do not offer meaningful learning opportunities, have poor working conditions, and are inaccessible to young people without the connections and know-how to get one. Internships should no longer remain unregulated, of variable quality and restricted to a privileged few. Providing equal opportunities for young people of different backgrounds to enter the professions is important both from a moral perspective and to ensure that businesses have access to the widest pool of talent. For internships to be a driver of social mobility rather than a barrier to it, universities, employers and the government should act together to increase the overall availability of internships and minimise any barriers to take-up for those who are disadvantaged.

The proportion of graduates in high-skilled work is in long-term decline: while 61.3 per cent of graduates aged 21 to 30 were employed in high-skill occupations in 2008, today only 55.8 per cent are. Characteristics including socioeconomic background, schooling and ethnicity are still strongly related to the jobs prospects of young people, with those who went to private school earning more even compared to other graduates in professional jobs.

Within this challenging and competitive labour market, internships have emerged, offering young people a chance to gain experience in the workplace and employers a form of cheap labour, as well as a way to find top talent for more permanent roles. Each year 11,000 internships are advertised – but the true number that take place is estimated to be as high as 70,000 per year. Internships offered by top graduate recruiters have consistently risen each year since 2010 (by as much as 50 per cent in total). Nearly half of these 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.

The sharp decline in job opportunities at the time of the recession led to an oversupply of graduates, with greater competition for good graduate jobs meaning that firms were able to access highly skilled workers even for low-paid, insecure work, such as internships. Now that the economy is recovering we would expect to see internships receding and entry-level jobs taking their place. It appears, however, that internships have become a permanent feature of the graduate labour market, and are now a ‘must have’ for the typical graduate career.

Although prime minister Theresa May agrees that ‘advancement in today’s Britain is still too often determined by wealth or circumstance, by an accident of birth rather than talent and by privilege not merit’, one of the key routes into top jobs – internships – is closed off to many, due

to a lack of connections and insufficient financial capital to subsidise low-paid insecure work. Our focus groups with graduates also show that discrimination, low confidence in navigating opaque recruitment practices, and a lack of knowledge in how to find good placements can prevent young people from less privileged backgrounds from securing an internship. In short, internships are acting as a barrier to social mobility rather than being a driver of it.

RECOMMENDATIONS

1. Universities should offer brokered work placements to all students, prioritising disadvantaged undergraduates.

Our vision is for a higher education system in which every full-time undergraduate student has the opportunity to carry out a university-approved undergraduate internship.

Recommendations for universities

- Provide back office functions to encourage employers (and particularly SMEs) to offer internships, including for some employers their payroll/HR/legal functions. Providing a matching service can ensure more successful internships and also allow universities to put forward disadvantaged students.
- Potentially offer a small wage subsidy for SMEs where the placement is not part of an accredited course (and therefore will usually be eligible for payment of the minimum wage).
- To ensure access to national opportunities as well as local economies, universities should work with charities that have relationships with national employers, such as upReach or the Social Mobility Foundation, or should collaborate to share opportunities across universities.
- Activities within universities should include encouraging students to take up placements, as many do not recognise the benefits of doing so.
- Only internships that comply with minimum wage legislation should be supported. We recommend placements of one to two months for current students to fit around study commitments, and up to six months for recent graduates.

The above activities should prioritise disadvantaged students, using Office for Fair Access (OFFA) countable funds. In order to further strengthen incentives for universities to focus on employment outcomes for disadvantaged students, we recommend that **the TEF metrics include the proportion of disadvantaged students in highly skilled work one and two years after graduating.**

2. A new residential internship opportunity programme for young people from Opportunity Areas

Geographic mobility is important for social mobility, as young people less able to move to where the opportunities are will struggle to access the most competitive jobs. Regional imbalances in the UK economy mean that jobs are concentrated in London, the South East and metropolitan areas. But internships which provide access to desirable jobs are even more geographically concentrated, with up to 85 per cent of all internships in some sectors in Greater London.

The government has earmarked £72 million of funding for ‘Opportunity Areas’, which are currently ‘coldspots’ for social mobility. We recommend that a small portion of this, circa £1 million, is used to offer incentives and funding for top employers to offer residential internship programmes for disadvantaged young people from Opportunity Areas. This should act as a pilot, evaluated by the Education Endowment Foundation, to inform future practice outside of Opportunity Areas.

3. Employers should be able to use the apprenticeship levy to offer high-quality placements to graduates.

To help with the cost of offering an internship, employers offering placements which are accredited as part of university courses should be able to access funding through the new apprenticeship levy.

Employers should follow our guide to offering accessible, high-quality internships that accompanies this report.¹

4. A new association should be established to give a stronger voice to interns in London and the UK.

Without stronger representation it is likely that the voice of interns will continue to struggle to be heard and issues such as the accessibility and quality of internships will continue to be neglected as a result. While the UK has a number of organisations advertising internships and offering advice to would-be or current interns, there is no organisation that advances the interests of interns with a consistent, reliable voice to act as a political force in public debate.

Interns we interviewed through this research were in favour of any organisation that could play such a role in the UK. Rather than replacing existing groups the aim of this association should be to lend support to strengthen the voice of existing groups and ensure their sustainability.

Building on successful international models reviewed in this report, we recommend that student bodies and unions (including the National Union of Students and trade unions), with the support of leading employers, work with small existing internship organisations to scope the establishment of an intern association for London and England and the devolved nations.

5. Any placement lasting longer than four weeks should be banned

While some unpaid internships are illegal, others are currently legal if they involve ‘volunteering’, even at private companies. Unpaid internships prevent access to opportunities for those who cannot afford to undertake them. Due to the ambiguity in the legality of unpaid internships many employers can either unwittingly or wittingly offer illegal unpaid internships with few repercussions.

We advocate the adoption of Intern Aware’s recommendation to ban any placement in private or public sector organisations lasting for more than four weeks, in order to prevent companies from offering opportunities that are only open to advantaged young people and add clarity to when a placement is breaking the law.

¹ <http://www.ippr.org/publications/the-inbetweeners>

We also recommend that the government examines the case and means for legally protecting the term 'internship', potentially in a similar way to the protection of the term 'apprenticeship', such that it only applies to placements that are paid and which offer a training opportunity.

1. INTRODUCTION

Young people remain at a disadvantage in the labour market. Those aged 16 to 24 in 2015 were 2.9 times more likely to be unemployed than those 25 or older (IPPR analysis of ONS 2016a). This figure has been relatively constant since before the recession in 2008, suggesting there are barriers to young people finding work, rather than this being a temporary phenomenon caused by the recession. Where a young person lives affects their likelihood of being unemployed: although London's young people are on average better qualified, in 2015 10.9 per cent of 16–24-year-old Londoners were unemployed compared to 9.2 per cent of young people in the rest of the UK (ibid).²

In the youth labour market, having a degree-level qualification is a distinct advantage. Graduates are more likely to be in work and have a high-skilled job, and to have a higher salary, than people without a degree. The recession was also less damaging to the job prospects of graduates than it was to non-graduates.

However, these positive headlines mask several trends that are cause for concern for young people investing time and money into gaining a degree. The proportion of graduates in high-skilled work is in long-term decline: while 61.3 per cent of graduates aged 21 to 30 were employed in high-skill occupations in 2008, this fell – more sharply than for other groups – to 53.2 per cent in 2013, and has only recovered to 55.8 per cent (BIS 2016). Median salaries for graduates have stayed flat since 2008. There are also sizeable differences between graduates. Young graduates of science, technology, engineering and maths (STEM) subjects can expect to earn £3,000 more per year than young people who studied social sciences, arts and humanities (excluding law and economics), and this figure increases to £7,000 for all adult graduates.

Other characteristics also predict outcomes in the graduate labour market. Young people from lower socioeconomic groups are less likely to enter a professional job, and those that went to private school earn more once in a professional job (Anders 2015). The unemployment rate for black graduates, who are more likely to have grown up in low socioeconomic groups but also more likely to face discrimination in the labour market, is four times the rate for white graduates, and twice the rate of Asian graduates (BIS 2016).

These trends suggest that it's not all plain sailing for graduates today. Despite being highly qualified, many graduates struggle to get a good, well-paid job, and high levels of competition mean that wages are not

² This gap between young people in London and the rest of the UK has reopened since 2014 having closed during the recession. The gap is larger than that between adults aged 25 or over in London and the rest of the UK.

increasing. In this context, graduates need more than their degree to stand out from the crowd. One way in which they can do this is to undertake work placements – in the form of work experience and internships – to learn workplace skills and demonstrate these skills to potential employers. In some cases, an internship may act as an extended work trial, with the potential offer of a job at the end of the internship.

While internships are not exclusively for graduates, our analysis shows that 82 per cent of advertised internships require at least a bachelor's degree, which increases to 85 per cent of those advertised in London (IPPR analysis of Burning Glass Technologies data for 2013–2015³). Furthermore it is among top graduate recruiters that the number of internships has increased by as much as 50 per cent since 2010 (analysis of Highfliers 2016). Employers benefit from internships, as they offer a low-cost source of highly skilled labour, with wages lower than entry-level starting salaries and in some cases non-existent, and entail less risk than taking on a graduate in a full-time permanent position. We chart this rise and the reasons for it in chapters 3 and 4.

What is more, it is likely that internships are here to stay as a feature of the graduate labour market. The sharp decline in job opportunities at the time of the recession led to an oversupply of graduates, with greater competition for good graduate jobs meaning that firms were able to access highly skilled workers even for low-paid, insecure work, such as internships. Now that the economy is recovering we would expect to see internships receding and entry-level jobs taking their place – however, there is no evidence that this is happening. Instead, it appears that internships have become a permanent feature of the graduate labour market. With competition for desirable jobs high, both among young people and between young people and more experienced, older workers, having work experience such as an internship appears now to be an essential stage of a graduate's career.

The research in this report focuses primarily on the graduate labour market, and in particular, opportunities for undergraduates and graduates to gain meaningful experience through internships. To date, the debate has focused on interns' pay and legal status. It is now necessary to turn to two related issues:

- are internships accessible to all higher education participants?
- do internships offer high-quality learning opportunities?

With notable exceptions such as the Social Mobility Commission's reports looking at how unfair access to internships affects who obtains professional jobs, the public debate has not yet scrutinised these issues sufficiently. We think the two issues are essential considerations for both employers and policymakers for several reasons.

First, for both individuals and companies to be as productive as possible, it is important that young people are learning valuable skills while working. Our qualitative research shows that currently many internships provide interns with something to put on their CV rather than a real

3 Burning Glass Technologies is a data analytics firm that scrapes from the internet all of the job vacancies online. The data is checked for duplicates and categorised by industry, region and skill requirements. See <http://burning-glass.com/about/>. This data was supplied privately to IPPR.

learning opportunity. This wastes graduate talent and means that interns do not gain as much as they could from the experience.

Second, as internships now act as a gateway to future, secure employment, it is vital that they are accessible to everyone, both from a social justice perspective and to ensure employers are accessing the full range of talent available to them. Employing diverse talent is important for employers. Companies in the top quartile for racial and ethnic diversity are 35 per cent more likely to have financial returns above the average for similar companies in their country and industry (Hunt et al 2015).

Finally, improving social mobility is also a stated aim of the current Conservative government on the grounds of fairness (Elgot and Mason 2016). There is both a strong moral and a strong business case for making sure internships, which open up access to permanent jobs, are accessible themselves.

Our research explores the rise of internships, and the role they now play in the career path of graduates and other skilled young people. It recommends ways that employers, education providers and the government could make internships more accessible and offer high-quality learning experiences.

We used the following range of methods for the research.

- Two focus groups, one with former interns and one with prospective and current interns. Participants were asked about their attitudes to internships, motivations for joining one, and experiences of applying for and undertaking an internship. They were also asked to map their career trajectories, looking backwards and forwards, so that we could understand where they viewed internships fitting into their careers.
- A comprehensive literature review of academic and non-academic research into access to internships and quality.
- Six interviews with employers in the media, creative and charity sectors to understand examples of best practice as well as challenges faced by employers.
- Quantitative analysis of vacancy data from Burning Glass Technologies – which is comprised of all vacancies advertised online in the UK – to explore what employers are looking for in interns and in which sectors and regions internships are available.
- Quantitative analysis of the Labour Force Survey – a nationally representative dataset of the UK workforce – to find out about graduate labour market outcomes, and the characteristics of young people working at entry level in different sectors.
- Interviews with key stakeholders to test the feasibility and desirability of our recommendations.

Through our research we found that while there are examples of high-quality, accessible internship schemes, the landscape as a whole still hugely favours those with the social and financial capital to access the most valuable internships. Taken as a whole, this section of the graduate labour market acts as a barrier to social mobility rather than an engine for it. To drive social mobility, internships must be available to all skilled young people, especially the disadvantaged, and they must offer genuinely valuable experience rather than acting as a tick box on a CV. Our recommendations in chapter 7 lay out

a roadmap for policymakers, education providers and employers to ensure they can fulfil this role.

What is an internship?

There is currently no agreed definition of an internship. Different groups use the term to refer to different kinds of placement – sometimes meaning placements that may last for a year or more, and other times to placements that are more similar to work experience in that the intern is not producing meaningful work that an employee would otherwise have done, as in a work experience or shadowing placement. The National Centre for Universities and Business (NCUB)'s taxonomy of work placements details internships as 6–12 weeks in length, paid, with formal recruitment processes, and normally in the summer or after graduation. By contrast, sandwich/industry placements are over 24 weeks in length and occur throughout the year, and insights/work tasters are up to one week and unpaid (Docherty et al 2015).

Although internships have many parallels with apprenticeships, they are not regulated, they do not lead to a qualification, there is no permissible reduced minimum wage as is the case with the apprentice rate, and they do not typically have a classroom-based component. We use the term 'internship' throughout the report to refer to a placement where meaningful work is undertaken, on a short-term basis, typically by a graduate or undergraduate. However, we think there is a need to legally restrict this definition to require that internships are paid and that they involve a formal or informal training opportunity (see chapter 7).

2. POLICY CONTEXT

While in the short term policymakers target immediate employment outcomes, a long-term approach requires helping people to find fulfilling work that matches their skills, and to be resilient throughout their career. The Higher Education Policy Institute identifies ‘employability’ in individuals as consisting of ‘knowledge, skills and social capital’ (Rich 2015). This includes presentation skills, project management, team work, adaptability and resilience when faced with failure (Wakeham 2016).

The last two decades have seen an increasing focus on how the education and skills system can help develop the individual characteristics required for employability. Both the Dearing report (1997) and Lambert review (2003) considered the role of higher education in preparing students for the world of work, the latter specifically looking at university–business collaboration. Most recently, the Wilson review (2014) has made recommendations for all university students to have access to workplace experience and outreach activities from business, to be better prepared for employment. The current higher education and research bill will establish a Teaching Excellence Framework, with employment outcomes for students a key metric of teaching quality at universities.

While classroom- or institution-based learning can to an extent help develop employability skills that enhance employment prospects, evidence suggests that these are learned most effectively through workplace-based learning (Little and Harvey 2006). Recent research shows that students who worked in a subject-related job, alongside studying, on average spent less time in a non-graduate job after graduating (Behle 2016). As such, a substantial policy focus has been to ensure individuals have access to high-quality work-based learning. This has been most pronounced in the coalition government’s pledge to create 3 million apprenticeships by 2020. But the majority of apprenticeships do not cater for those wishing to study at degree level, and some evidence suggests apprenticeships have been benefiting older people more than younger people (Pullen and Clifton 2016). Several of our interviewees also reported that where employers do not think apprenticeships are an appropriate form of training for entry-level work, for instance because of the classroom-based learning element, there is a risk that the apprenticeship levy will displace internships by absorbing training budgets.

There has been less of a policy focus on work-based learning for higher education students and graduates. In fact, policy has been silent on the specific issue of internships, one of the major forms of work-based learning for this group. There is no legal definition of an internship: most legally fall into the ‘worker’ employment category, but in fact occupy an informal place in the labour market and are often unpaid and without the protections workers are entitled to. While there is a lack of data on

unpaid internships given they are often informal and often illegal (see the box on internships and the law below), the government estimated in 2010 that 1 in 5 is unpaid, though the proportion varies widely by sector (HM Government 2010a).

In the past five years, following several damning reports from the Social Mobility Commission⁴ as well as campaigns by intern groups and unions, the government has taken several steps to specifically end abuse of interns through underpayment. To lead by example, the government ended all informal internships in Whitehall, and instead engaged in promoting professional internship schemes on a central website and making outreach efforts. To encourage voluntary action, in 2014 the Social Mobility Business Compact was set up, celebrating employers who take action on internships and other recruitment practices. As of June 2015, 196 business had signed up to the compact and, over the course of 2015, 11 ‘champions’ met further stretch targets to demonstrate how accessible recruitment can work in practice. There has been less activity relating to the compact since 2015.

The government also supported the publication of a Common Best Practice Code for High-Quality Internships to encourage employers to offer fair and high-quality internships. A large number of employer bodies have signed up to the code, including employer bodies in the accountancy, law, arts, medicine, engineering and architecture sectors, though takeup by their member employers is harder to ascertain. The Best Practice Code extends beyond fair pay and offers additional guidance for employers to uphold six principles of best practice: preparation; recruitment; induction; treatment; supervision and mentoring; and certification, reference and feedback. This document, while valuable, is still only a guidance document.

As well as this, the government has developed the Graduate Talent Pool (GTP), a free website, which was established in May 2009 to encourage more employers to offer graduate internships and to make them available to the widest possible group of recent graduates.

To better enforce the law, new guidance has been issued to employers to clarify how the national minimum wage (NMW) applies to work experience and internships (HM Government 2017), and HM Revenue and Customs has stepped up its NMW enforcement activity in sectors in which unpaid internships are commonplace, to ensure that employers are complying with the law. For example, almost 200 employers – almost 10 times the number in 2014 – were ‘named and shamed’ in August 2016 for underpayment of the national minimum wage, with some of these relating to internships. Encouragingly, in 2013 a number of large recruitment websites committed to no longer advertising unpaid internships, including Total Jobs, Milkround and Reed.

However, certain groups still remain exempt from NMW, such as in the case of placements that are part of ‘work placements of up to one year as part of a higher education course of study’ and volunteers (ibid). Furthermore, despite progress made, the main way in which illegal practice is uncovered is through interns reporting lack of payment – an expensive and intimidating process for an intern in insecure work hoping to receive a good reference or

4 Formerly the Social Mobility and Child Poverty Commission chaired by Alan Milburn.

further work. Also, although among graduate recruiters the norm of unpaid internships appears to be shifting, the argument has been made on moral grounds, and there is limited acknowledgement of interns' legal 'worker' status, especially where 'intern' is not well defined (HM Government 2010b). Research by Yougov and Internocracy in 2011 found that just 10 per cent of under-35s who had heard of internships and 12 per cent of managers interviewed realised unpaid internships can be illegal.⁵

Internships and the law

Internships are not legally defined, and the limited number of cases brought by interns to the Employment Tribunal – exacerbated by the introduction of employment tribunal fees – means there is limited case law on the subject. However, employment law applies to internships as much as any other kind of work or work experience. In particular, with only a few exceptions, interns are entitled to be paid at least the minimum wage if they can be classified as a worker or employee, or can show that they are providing a service and working under either an implied or express contract – and this is the case even if the intern has agreed to work for less and regardless of the employer's description of the role (Lawton and Potter 2010). In practice, the majority of internships are likely to meet these conditions, and therefore should involve payment to the intern at the minimum wage that applies to their age group. Where an intern is on work experience or shadowing a member of staff, they are not providing a service, and are not entitled to the national minimum wage. The Department for Business, Energy and Industrial Strategy publishes guidance on how interns should be treated and paid at work.

⁵ <https://internocracyblog.wordpress.com/>

3.

THE RISE OF THE INTERNSHIP

While apprenticeships have been in existence for hundreds of years, internships are a more recent phenomenon. The word was first used in the US after the first world war to refer to physicians who continued to train in work after formal education was over (Haire and Oloffson 2009). Internships as we recognise them today began across sectors in the 1960s, providing opportunities for young people to learn on the job but also test different careers.

However, it is in the last 10 years that internships have dramatically increased in number in the UK, reflecting changes in the graduate labour market. Data on internships is scant, but what data we do have confirms a rise in internships over the past five years. For example, data from the UK Commission for Employment and Skills (UKCES) shows that while 27 per cent of establishments offered any kind of work experience in 2012, and 4 per cent offered internships (UKCES 2012), by 2014 this had risen to 38 per cent and 7 per cent respectively (UKCES 2015).⁶

Our own analysis of online job vacancies suggests that around 11,000 internships are advertised in the UK each year.⁷ This is likely to be a conservative estimate of the true number of internships, given that many internships are advertised through word of mouth rather than online. Indeed, the Chartered Institute of Personnel and Development (CIPD) estimated in 2010 that three-quarters of employers it regularly surveys employed interns (CIPD 2010). In the same year the government estimated that there were 50,000–70,000 internships annually, based on CIPD and other evidence (HM Government 2010a). This compares to around 375,000 people graduating with their first degree every year – though many who undertake internships have higher degrees, or graduated less recently (HESA 2016).

Large employers remain most likely to offer internships (27 per cent compared to 6 per cent of employers with fewer than 100 staff) (UKCES 2015), though due to the large number of small businesses, some 60 per cent of internships are in organisations with fewer than 24 employees. The National Centre for Universities and Business estimates that when small businesses that are less likely to advertise internships are taken into account, there may be 200,000 work placements, of which 100,000 are internships each year (Docherty et al 2015).

6 We include both figures as the lack of a commonly accepted definition of internships means some work placements may in fact resemble internships.

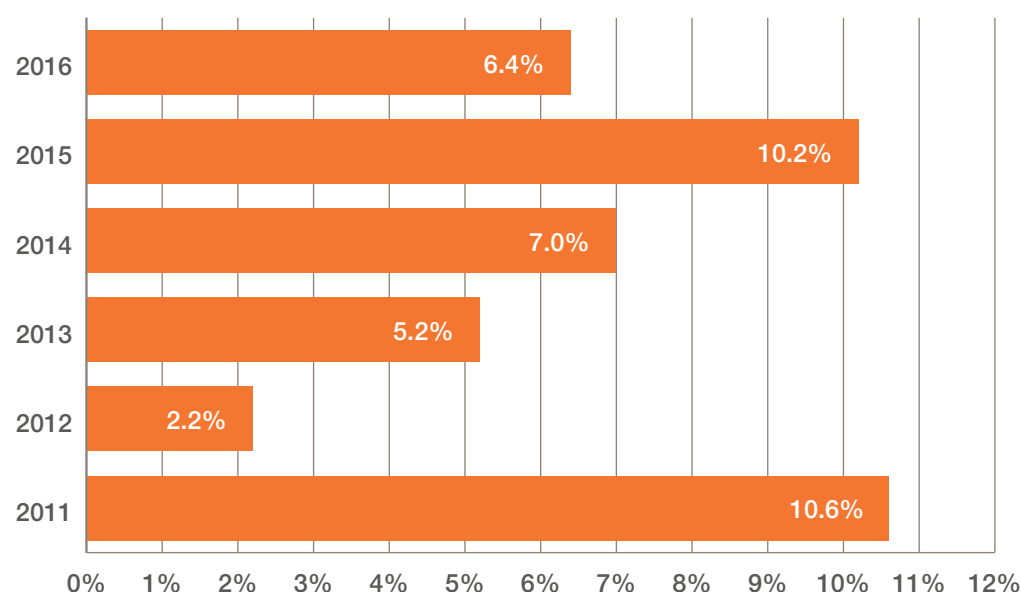
7 Average over 2013–2015.

Employer surveys also confirm that internships have become particularly prevalent among top graduate employers, with 14,000 paid internships and work experience placements on offer in 2016 from these employers alone (Highfliers 2016). Figure 3.1 demonstrates the growth since the recession of placements among these employers, with a 49 per cent increase in placements from fewer than 10,000 in 2010, including large increases in the last two years.

FIGURE 3.1

Work placements and internships at top graduate employers have increased by 49 per cent since 2010

Percentage change in work placements for university students, 2011–2016



Source: Highfliers, *The Graduate Market in 2016* (Highfliers 2016)

This is supported by our analysis showing that the vast majority of internships are only open to those with a graduate-level qualification.

Internships are also particularly prevalent in London, due to its sectoral mix and highly competitive graduate labour market. Fifty-eight per cent of internship vacancies posted online are in the capital, although only 26 per cent of all jobs are in London (IPPR analysis of Burning Glass Technologies data). This is likely to be to do with the sectoral mix of London’s economy (see chapter 6), but also because of London’s highly competitive youth labour market.

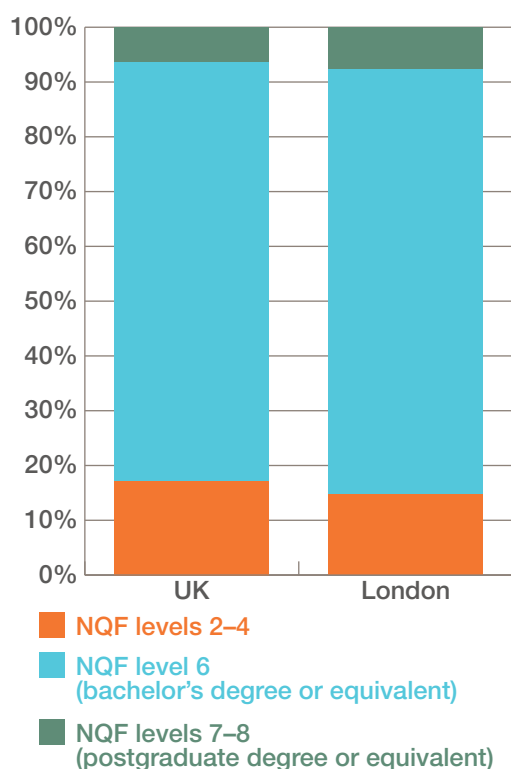
The increasing number of internships is likely to be due to several factors. First, there are more university students than ever before, increasing the supply of graduates looking for work. A third of those who were 18 in 2006 had gone to university by the time they were 19, but by 2015 this figure had risen to 42.5 per cent (UCAS 2016). We might expect the increase of graduates to lead to an increase in the number of graduate vacancies, including internships, as firms seeking graduate labour locate in the UK. However, this does not appear to be the dominant factor in the increase in internships, as after the recession graduate employment

opportunities decreased relative to the graduate population. The latest figures show 41 per cent of recent graduates⁸ in London work in non-graduate roles, and the sharp decline in opportunities at the time of the recession appears to have had a scarring effect on the generation graduating in 2009/2010, with this cohort working in non-graduate roles for longer (ONS 2016b, Behle 2016). The more powerful effect is likely to be that given an oversupply of graduates, greater competition for good graduate jobs means that firms are able to access highly skilled workers even for low-paid, insecure work. CIPD research has found evidence of substantial structural oversupply of graduate labour in the UK, leading to increased competition for skilled jobs – not only supporting this thesis, but raising concerns that the problem is permanent rather than a temporary effect of the recession (Holmes and Mayhew 2015).

FIGURE 3.2

82 per cent of internships (85 per cent in London) require at least a bachelor’s degree or equivalent

Percentage of internships in the UK that require a degree-level qualification



Source: IPPR analysis of Burning Glass Technologies data

It appears that what we might have expected to be a cyclical development after the economic crash has become a structural feature of the labour market. Although the jobs market has recovered, the rise in the number of internships at top graduate recruiters between 2010 and 2016 was almost double the rise in permanent graduate positions over the same period (Highfliers 2016). Some sectors now have more internships

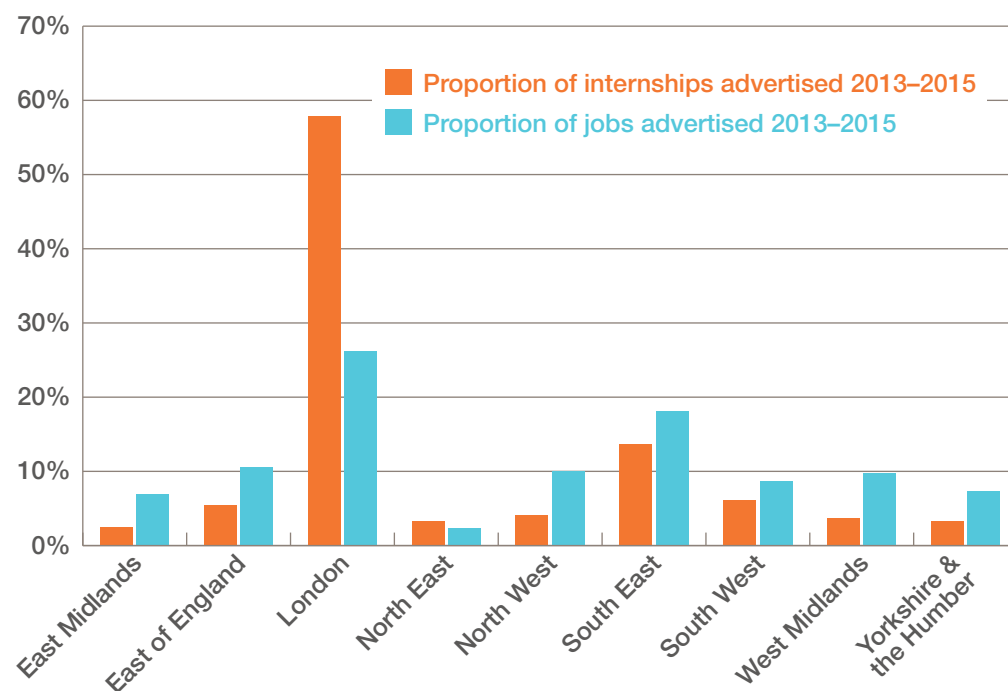
⁸ 'Recent' is defined as having graduated in the last five years.

available than permanent entry-level positions, such as consumer goods (124:100), investment banking (134:100) and law (138:100) (ibid). This has created a structural bottleneck making it more difficult for young people to access entry-level jobs.

FIGURE 3.3

Internships are heavily concentrated in London

Proportion of internships advertised versus jobs advertised in English regions



Source: IPPR analysis of Burning Glass Technologies data

Another possible explanation for the growth in internships is that employers find them to be a good recruitment tool. This has advantages for both successful applicants, as they can fit internships in to summer holidays, and employers, who can see prospective employees' abilities ahead of time, and recruit a full year ahead of competitors who recruit only post-graduation. Whereas 10 years ago, employers mainly offered work placements to give individuals a taste of employment in an area, they are now more likely to have integrated those placements into the recruitment process. Motivations for offering work placements are changing quickly; between 2012 and 2014 the proportion of employers citing their primary motivation as wanting to help young people dropped from 35 per cent to 26 per cent, and the number reporting using placements to help with recruitment rose from 20 per cent to 28 per cent (UKCES 2015). Yet this practice prolongs the time that graduates spend in insecure work.

4.

INTERNSHIPS ARE A PERMANENT FEATURE OF THE GRADUATE LABOUR MARKET

With increasing numbers of employers using internships as a recruitment tool, and with internships growing in number more quickly than entry-level jobs, internships are becoming a necessary feature of many graduate careers.

In focus groups with young people who either had experience of doing an internship, or who planned to do one in the future, we found that internships are perceived as a stepping stone that will help young people to gain the skills, social capital and insight to secure a good job – though not all had a specific industry or job in mind. The main reasons participants gave for applying for internships were to gain general and industry-specific experience, to make contacts, to develop skills and to improve their chances of securing paid employment. Only a minority had applied as an ‘exploratory’ means of finding out about what they wanted to do in their career – suggesting this purpose of internships has diminished in the context of internships as a recruitment tool.

Furthermore, for some, internships now feel like another hurdle along the path to a secure job rather than an opportunity. We asked our focus group of aspiring interns to map out their careers so far and their plans for the future. Several participants included internships in their expected career trajectory but not their desired career trajectory, and indicated that they felt capable of performing in an entry-level position without first undertaking an internship. This suggests an internship is viewed by some as an additional obstacle to navigate rather than an objectively valuable step on the way to full-time, paid employment.

Those that wanted to do internships clearly valued the instrumental benefits that high-quality placements offer young people hoping to secure a good job. In terms of what they saw as necessary components of a high-quality placement, this included a clear role with specified tasks, meaningful tasks and experience, and an internship long enough to gain enough experience to be useful in the future. All of these factors help interns develop skills but also help to demonstrate their skills to future employers. Interns also valued an appropriate workload and appropriate line management, as well as the chance to secure a permanent position.

Employer surveys confirm the perception that work experience including internships are essential in securing a graduate job. Nearly half of the top graduate employers report that candidates without work experience will ‘have little or no chance of receiving a job offer for their organisations’

graduate programmes', regardless of academic qualifications (Highfliers 2016). Two-thirds of employers across the economy rate relevant work experience as a critical or significant factor in candidates (UKCES 2015), and industry employers of STEM graduates unanimously confirm that industrial experience enhances the employability of job candidates (Wakeham 2016). The Social Mobility Commission's 2012 report also found that having work experience or an internship on a CV had become critical to finding employment since the recession (Milburn 2012).

More specifically, an increasing number of graduate employers treat experience at their organisation as a prerequisite to an offer of a permanent position – again reflecting the growing use of internships as a recruitment tool. Among top graduate employers, up to a third of new graduates are now recruited directly through a placement or internship (Highfliers 2016). More broadly across employers, 23 per cent offering internships in 2014 went on to hire the intern – this practice was particularly prevalent among larger employers (UKCES 2015).

Interns' experiences

In spite of what prospective interns look for in an internship, through our interviews and focus groups with interns we heard about practices that amount to exploitative use of cheap labour rather than a development opportunity for young graduates looking for work – confirming media reports and interns' own campaign literature.⁹ In particular, while some interns had very positive experiences, others were expected to deliver unmanageable workloads, or were required to work additional hours without the opportunity to work flexibly or entitlement to holidays that full-time employees would enjoy. Many were asked to perform exclusively menial tasks, or tasks that did not provide relevant experience that could be used elsewhere. Management also arose as an issue, with inappropriate processes for concluding internships and unwelcoming cultures particularly disliked by interns. Of course, pay was also raised, with many interns illegally unpaid.

Our employers' guide to internships¹⁰ sets out how employers can provide placements that are genuinely valuable, positive learning experiences for interns.

'Me and the other trainees had some problems there with the management. Then when it was coming up to the end of the internship, it was a difficult decision to decide whether to bring it up with them right near the time when they would be writing your references right at the end of your internship as well.'

'My work definitely expects you to stay for three hours extra without pay. If there is a deadline coming up, you stay weekends, you stay there all night. There are people who have stayed there for 48 hours straight.'

9 See for example <https://www.theguardian.com/careers/careers-blog/internships-exploitation-career-graduates-work-experience>

10 <http://www.ippr.org/publications/the-inbetweeners>

'In my internship I had to get a train and I had to book the train to get there and back. It's unpaid and my expenses weren't paid either so it was costing me £15 a day to get there. Then if I was asked to stay late, I felt like I couldn't say no and I would miss my train and have to buy a whole new train ticket. I felt like I couldn't say, "I really can't my train is about to leave" so I was stuck because of that whole idea that they would say "well you know where the door is".'

'I think I was mismanaged quite heavily. They didn't get the best out of me at all because stretched resources at the start meant a larger workload for me. But then the onus was on me so much that it flattened my productivity because I was overworked. Then when I brought that up it was met with hostility.'

'She didn't try to get to know you as a person, it was just work away and get on with this. They never got the best out of me because I didn't build up a loyalty to care enough about the work I was doing for the company. I just wanted to go, I was done with it and didn't care. I just wanted to go.'

'It was like it was just for paper – so I can write I've done this, and they can write we have given them the opportunity for this. But it wasn't real practice for the real world or working with projects and people.'

'I had good references and the first internship I did I know has helped me with jobs I've had since, but the actual content of the internship didn't. It's more that on paper I've passed this internship, I did this, this and this.'

'I feel like especially with unpaid internships, especially the one I was in, they just wanted someone to do the admin – and this way they didn't have to pay anyone, they didn't have to get anyone in permanently. I wasn't given a contract or any of that, it was just go in, here you go, it's good for you, you can put it on your CV and if you need a reference we'll give you one.'

5. INTERNSHIPS ARE INACCESSIBLE TO SOME YOUNG PEOPLE

We have highlighted that work experience, often entailing an internship, is increasingly a prerequisite to gaining stable, full-time employment. It is therefore critical that all young people have equal access to these opportunities. However, evidence suggests that this is still far from the case; instead, internships are perpetuating, and in fact exacerbating, inequality of access to high-quality jobs.

In our exploratory conversations with interns we identified six perceived barriers to young people accessing internships:

- connections
- financial barriers
- lack of experience
- discrimination
- lack of confidence in following opaque routes to internships
- knowledge of how to navigate the system.

5.1 CONNECTIONS

Many interns we spoke to felt strongly that ‘knowing the right people’ helped in accessing internships, and that consequently not knowing the right people was a barrier to gaining one. Alan Milburn’s review of access to the professions also cites evidence that ‘connection rather than ability (is) the key that unlocks a work experience opportunity or an internship’ (Milburn 2012).

The Employer Perspectives Survey (EPS) finds that eight per cent of employers report offering placements for ‘circumstantial reasons’ – either because they have been approached by someone (seven per cent) or as a favour for family or a friend (three per cent) (UKCES 2015). Employers may be underreporting this motivation, but also the same survey finds variability by size of employer, sector, and subsector. For example, employers with fewer than five employees – who are less likely to respond to the EPS – are much more likely to cite circumstantial reasons for offering placements (13 per cent as opposed to 8 per cent), and employers in the financial services subsector even more so, at 17 per cent.

This is particularly problematic for social mobility when those subsectors offering placements based on circumstance are also the most elite and well paid, such as financial services. Recent research into socioeconomic diversity in investment banking found that while the proportion of

internships offered based on connections was relatively small, the practice is established:

‘... many of the big banks would have specific people within their HR teams to look after internships for people who are either sons of clients or top executives within the bank. ... HR ... usually create an extra internship position for that person so we don’t reduce the numbers for the people who are applying through the normal channels.’

Ashley et al 2016

In the absence of regulation, it is rational for some companies to offer internships to young people with powerful parents and connections. Even if the number of other internships is maintained, this practice hands advantages to the already highly privileged.

5.2 FINANCIAL BARRIERS

Prospective interns we spoke to identified financial barriers as a major factor preventing them from accessing internships. Financial barriers occur when internships are unpaid, but also often when they are paid, as wages are usually relatively low and placements may require living somewhere temporarily, with associated costs of moving and short-term accommodation.

Financial barriers are exacerbated for less well-off young people by several factors. For example, if the internship does not offer enough flexibility for the intern to work alongside the placement, or if the employer rewards working long hours. One intern told us:

‘Even if they are flexible there is always that thing in the back of your head that if I can’t commit myself really properly full-time then there is less of a chance I will get a job there. So if there are two interns at the same time and you are the one who’s leaving at three o’clock so you can do your other job so you can earn money, it’s like ‘what’s the point in doing it?’ because the other person will get the job because they are going to be around more.’

The location of the internship was also a big issue for interns, especially as many competitive internships are in London, where industries such as the arts and journalism are concentrated. Around 53 per cent of all internships advertised in 2014 were in London; young people without family or friends to stay with, or savings, struggle to take up internships in the capital that are unpaid or poorly paid.

A further financial barrier for less well-off young people is that internships are inherently short-term and often entail substantial uncertainty in how long they will last and whether they will lead to a permanent position. This means that interns not only have to pay more for short-term accommodation, but take on risk in moving into accommodation without knowing about their future earning opportunities.

Conversely, we heard that where financial support had been received for living costs, usually from universities as part of placement years, interns were able to take up opportunities they otherwise could not have accessed.

'I wanted to do an internship in London but just couldn't afford to do one.'

'I guess the thing that helped me was the fact that there weren't that many people who wanted to do that much time unpaid. As it turned out, no one wanted to do eight months unpaid, so I was like, "OK I'll do it". Luckily I was in a position where I could get a grant from my university to help me out. I applied for that in order to help me fund my life, but not everyone can be in that position so I was fortunate about that.'

5.3 LACK OF EXPERIENCE

A common experience of interns was the catch-22 situation of not having enough experience to get an internship. Participants found this frustrating and unjust, given that experience can be hard to get without first securing an internship or equivalent:

'In my second year of uni, during the summer, I said "OK I'm going to have to try really hard [to get an internship]". But loads of [employers] came back and were looking for someone more experienced and obviously I was like "this is ridiculous".'

'I mean, how are you expected to have experience already when you are doing the internship to gain experience? ... The whole idea of doing an internship is because you want to gain experience.'

There is little data available on experience requirements for internships. However, given high levels of competition for internships, and the importance employers place on work experience, it is likely that this is indeed a barrier for many. Work experience is no longer on the school curriculum, and a decreasing proportion of students work alongside studying, suggesting this catch-22 is likely to worsen for those unaware at an early stage of the value of work experience (Roberts 2017 forthcoming).

5.4 DISCRIMINATION

Several focus group participants were concerned about discrimination, and found that the experience of applying for and undertaking an internship was hard to navigate because of gender, ethnicity and other differences. One participant was unsure whether to disclose their dyslexia, in case of discrimination. Others reported finding the assessment centre 'a scary male-dominated place, quite intimidating', with girls getting 'bogged down' with uncertainties about what they wanted to do or whether they could do it.

5.5 LACK OF CONFIDENCE IN FOLLOWING OPAQUE ROUTES TO INTERNSHIPS

Our focus group participants placed emphasis on the need to be proactive in order to be able to find ways to circumvent traditional access routes and speak directly to employers. Confidence, tenacity and directness were all identified as qualities that are important. This suggests that 'playing by the rules' and applying to internships listed

on websites, for example, is not considered by participants to be an effective method of securing an internship.

5.6 KNOWLEDGE OF HOW TO NAVIGATE THE SYSTEM

As well as confidence, specific knowledge of how to navigate the often confusing internship system was seen as important. The interns we spoke to reported their uncertainty about how to find the relevant websites and application processes, as well as the difficulty of finding advertised internships. Knowing how to find out about and apply to internships was therefore seen as important, including ‘soft skills’ such as knowing how to construct a CV and how to interview well.

Universities and access schemes were identified as being important in supporting young people to develop these skills, particularly around application and CV writing as well as preparing for interviews. However, participants told us universities were less good at helping students to find out about suitable internships, and in particular were geared towards bigger recruiters rather than small employers. Similarly, placement years as part of courses are often restricted to science and engineering subjects rather than helping all students.

<<PQ>>‘For my internship, Creative Skillset had a whole application pack. So they wrote basically every detail about it, including what you’d be paid, how it would work, what you would be entitled to as a trainee – such as not having to pay tax for certain things. It also detailed exactly what you’d be doing and the structure. So it really detailed everything. That was amazing and gave you a lot of confidence to apply because you knew you’d be along the right lines. It was a good experience.’

6. CASE STUDIES

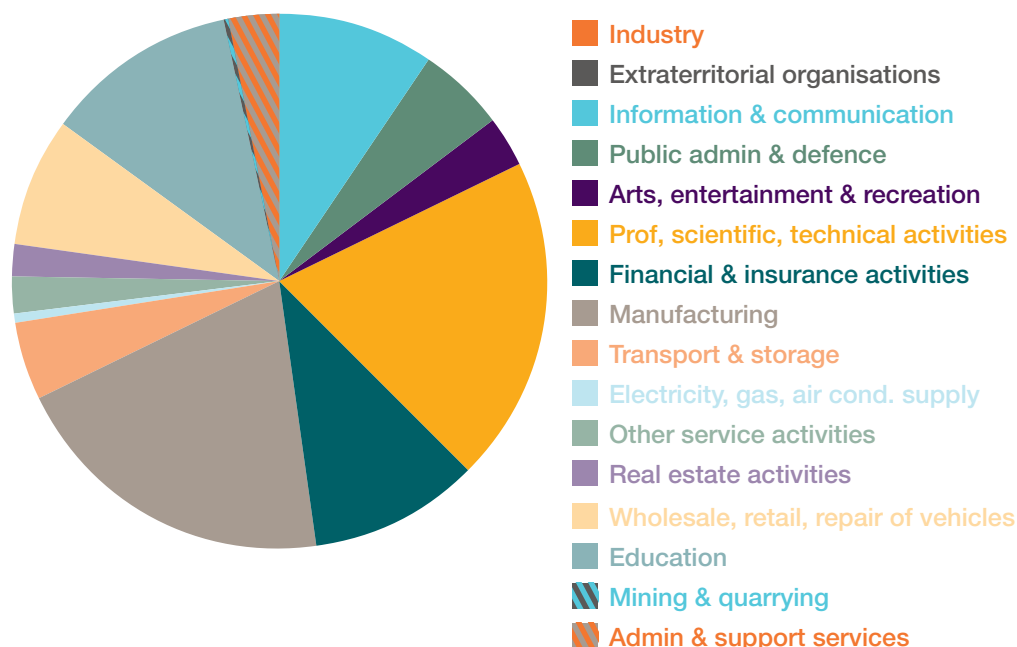
The availability of internships varies by geography. For example, 58 per cent of advertised internships are based in London, compared to 26 per cent of advertised jobs (see chapter 3). Looking at the breakdown of internships by sector adds some clarity to this disparity, as many of the sectors advertising a large number of internships relative to the number of jobs they advertise are concentrated in London.

The sectors advertising the greatest number of internships are manufacturing; professional, scientific and technical activities; education; financial and insurance activities; arts, entertainment and recreation; and wholesale retail and repair of vehicles (see figure 6.1).

FIGURE 6.1

The professional, scientific and technical activities, and manufacturing sectors advertise the most internships in the UK (both 20 per cent of all internships)

Industry sectors advertising the most internships

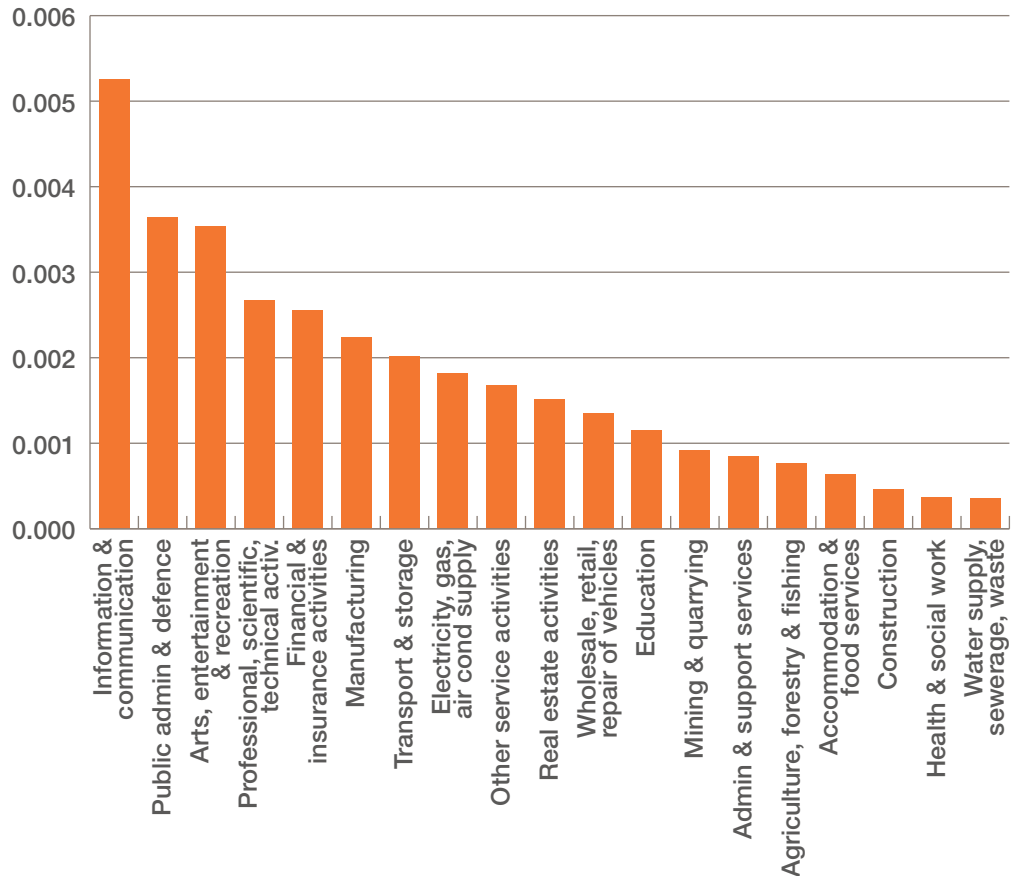


Source: IPPR analysis of Burning Glass Technologies data

However, while for instance manufacturing employers offer a large number of internships, this is largely due to the size of the sector. When we look at the ratio of internships advertised to jobs advertised, a different set of sectors stand out (see figure 6.2).

FIGURE 6.2

Professional, creative, tech and finance sectors have particularly high concentrations of internships relative to other vacancies
Ratio of internships to other vacancies (excluding sectors with low numbers of internships)



Source: IPPR analysis of Burning Glass Technologies data

In exploring access to and quality of internships, we focused on three sectors in particular: finance, the creative industries (including information and communication), and the charity sector.¹¹ We chose these sectors because:

- they have a high concentration of internships available compared to other vacancies
- they are particularly concentrated at internship and entry-level in London – which as seen above is unaffordable for many prospective interns
- through our focus groups and literature review they emerged as sectors with particularly variable internship practices.

We provide more details on the concentration of internships in these sectors, and working practices, in the case studies below.

¹¹ Categories used for Burning Glass are United Kingdom Standard Industrial Classification of Economic Activities 2007, section level. Analysis uses Burning Glass vacancy data; SIC codes are not available at a suitable level to use the standard definition of creative industries, so we approximate a creative industries definition using information and communication, as well as arts, entertainment and recreation.

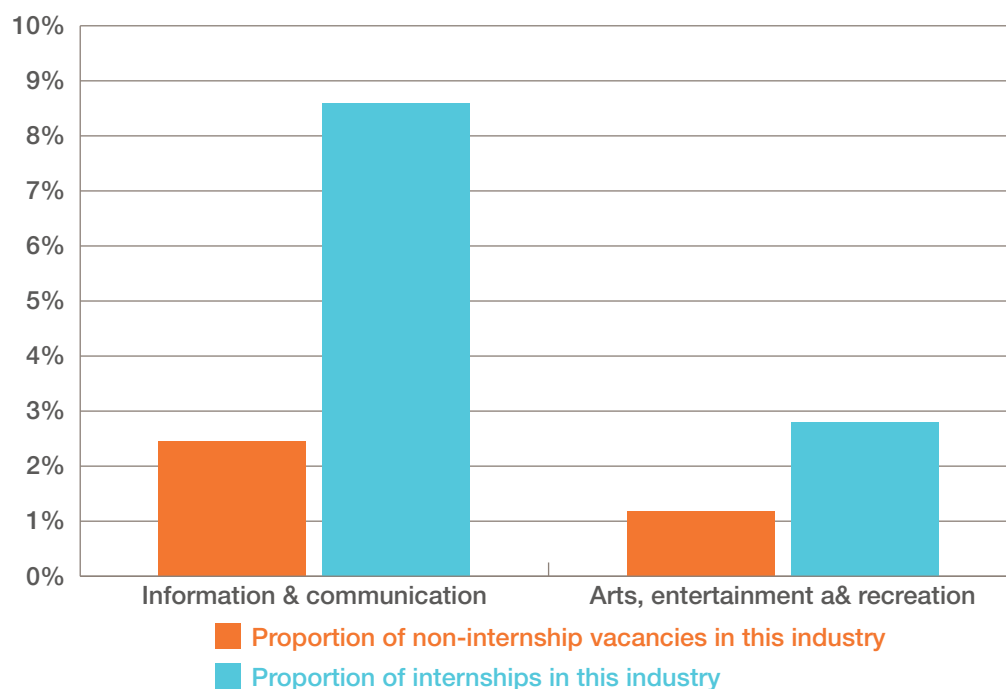
6.1 THE CREATIVE INDUSTRIES

While 3.7 per cent of job vacancies are in information and communication or arts, entertainment and recreation sectors, these sectors account for 11.4 per cent of internships (see figure 6.3).

FIGURE 6.3

The creative industries make up a greater proportion of internships advertised than jobs

Proportion of internships versus non-internship vacancies in the creative industries



Source: IPPR analysis of Burning Glass Technologies data

Within these industry classifications, it is the sectors commonly understood as ‘creative industries’ that have the highest concentration of internships available relative to job vacancies, including publishing, film and video, creative arts and entertainment, and broadcasting (see figure 6.4).

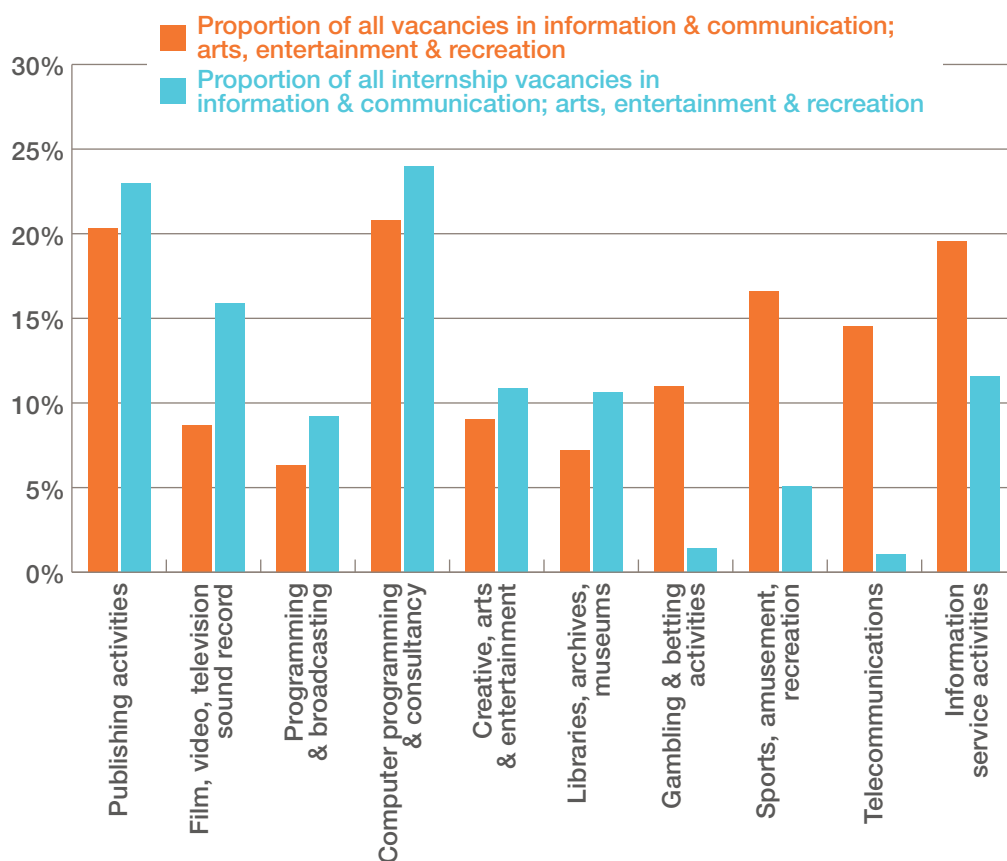
Internships within information and communication, and arts, entertainment and recreation are particularly concentrated in London, making up 13.7 per cent and 3.7 per cent of London internships respectively; 76.1 per cent of all internships in these sectors are only on offer in the capital.

The fact that internships are so prevalent in the creative industries is concerning, because the creative workforce lacks ethnic and socioeconomic diversity, particularly at entry level. If internships without measures to ensure equal access are common, there is a risk that the diversity of the sector will suffer.

FIGURE 6.4

Publishing, media and arts sectors have a particularly high concentration of internships within the creative industries

Breakdown of all internship versus non-internship vacancies in the creative industries



Source: IPPR analysis of Burning Glass Technologies data

The entry-level creative workforce is not currently representative of the population, and this is particularly true in the capital. While 30 per cent of London’s under-30 working population belongs to an ethnic minority group, this is true of just 16.4 per cent of London’s creative workforce in the same age group.¹² Similarly, 9.2 per cent of the under-30 working population outside of London belongs to an ethnic minority group, compared to 7.8 per cent of the creative workforce in the same age group.

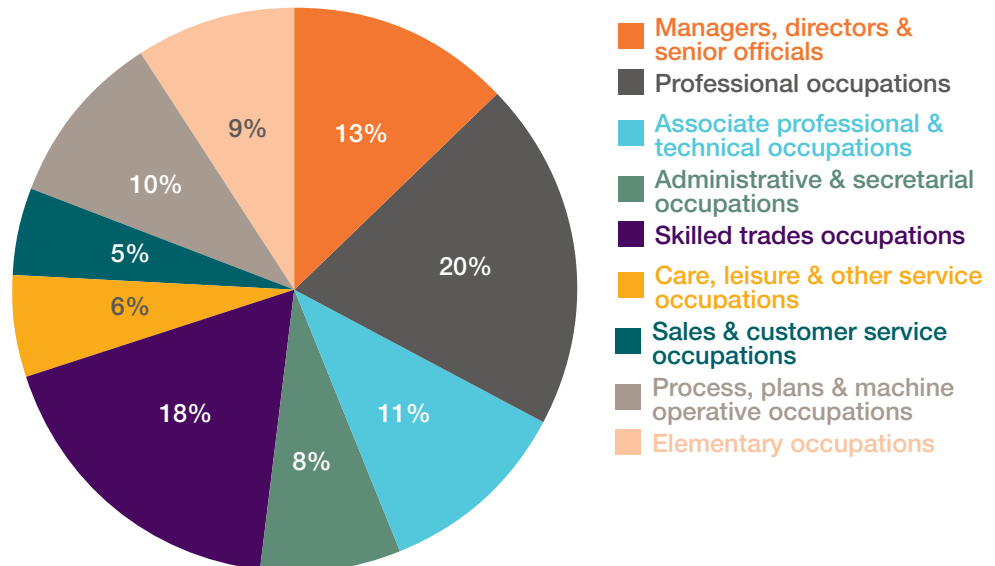
The socioeconomic background of young people working in creative occupations also differs from the backgrounds of young people working across the UK economy. Figures 6.5 and 6.6 show that while across the economy 44 per cent of the under-30 working population had a breadwinning parent in a managerial or professional occupation at age 14, this is true for 64 per cent of the same group working in creative occupations.

¹² IPPR analysis of the Labour Force Survey 2014–2016, using creative occupations as defined by DCMS 2015 (ONS 2016a). This category overlaps but is not synonymous with the definition of creative industries used by DCMS.

FIGURE 6.5

Across the economy 44 per cent of the under-30 working population had a breadwinning parent in a managerial or professional occupation at age 14

The socioeconomic background of entry-level workers across the economy (occupation of breadwinning parent when respondent was 14)

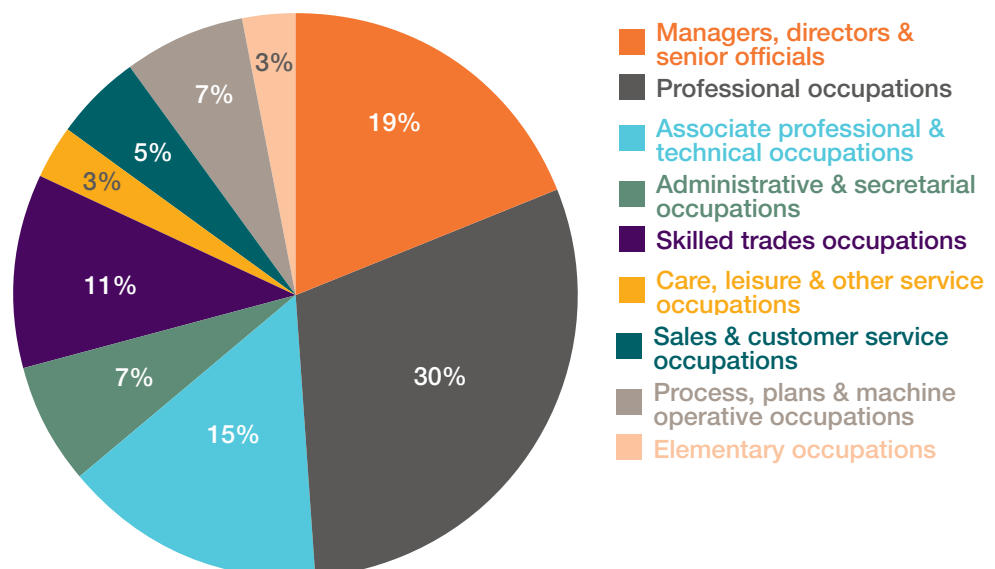


IPPR analysis of ONS, *Labour Force Survey 2014–2016* (ONS 2016a)

FIGURE 6.6

In the creative industries 64 per cent of the under-30 working population had a breadwinning parent in a managerial or professional occupation at age 14

The socioeconomic background of entry-level workers in creative occupations (occupation of breadwinning parent when respondent was 14)



IPPR analysis of ONS, *Labour Force Survey 2014–2016* (ONS 2016a)

Entry-level jobs in creative occupations are increasingly in London rather than elsewhere in the country, with 31.1 per cent of the under-30 workforce working in London compared to 24.1 per cent of older workers.¹³ This is much higher than the 11 per cent of entry-level workers and 9.7 per cent of older workers based in London across industries (ONS 2016a).

Best practice

Several initiatives within the creative industries have attempted to improve the quality of internships and ensure that they are accessible. These have been sector- and profession-wide, as well as led by individual employers.

Creative Access, for example, is a charity that places young people from BAME backgrounds into high-quality creative industry internships. To date, the charity has successfully placed 700 interns across 260 employers in television, film, publishing, PR and media. Following their internship 90 per cent of participants entered full-time employment. However, the charity recently had its £2 million central government grant, constituting 30 per cent of its income, cut. Responsibility for the funding has switched from the former Department for Business, Innovation and Skills to the Department for Education, which is reported to be prioritising apprenticeships.¹⁴ The Creative Society has also previously organised paid internships in the creative industries for young unemployed people.

An example of a profession-wide scheme is that run by the Public Relations and Communications Association (PRCA). Together with the Taylor Bennett Foundation, *PRWeek* and *Intern Aware*, the Association has sought to diversify entry-level intakes by leading employers in its 'Internships for All' programme. Employers that participate in the scheme commit to taking interns from underrepresented ethnic and socioeconomic backgrounds, at non-Russell Group universities. They are encouraged to offer internships outside of London where possible, and required to pay the interns. The PR Internships Awards reward the best internships to incentivise high-quality placements.¹⁵

In interviews with individual creative sector employers, we came across several strategies to improve access to internships and make sure they are effective learning opportunities. For example, the *Financial Times* offers support to interns by matching each with a mentor to guide them during the internship and offer career guidance. Feedback mechanisms are in place to ensure that the internship programme continuously improves. Interns are given meaningful tasks, and a byline in the printed paper where they have contributed to the writing of the article. The organisation works with charities such as Creative Access and the Social Mobility Foundation to increase the diversity of its intern intake, and has also partnered with Southwark council to offer placements in supportive roles for local unemployed people.

In broadcast media, the BBC is currently implementing its diversity strategy, including ensuring its entry-level training and development opportunities are open and accessible to all. Work placements are

¹³ We define entry-level positions as those filled by people between the ages of 16 and 29 inclusive.

¹⁴ <https://creativeaccess.org.uk/news/creative-access-is-delighted-to-announce-that-it-has-today-placed-its-700th-intern/>

¹⁵ <http://news.prca.org.uk/pr-internships-awards-2016-winners-announced/>

generally capped at 10 days to widen participation. A central team matches applicants to placements to make sure that opportunities are fairly distributed. Applications can be made through a variety of routes, including an online application process on the BBC Careers website, university and school partners and disability organisations.

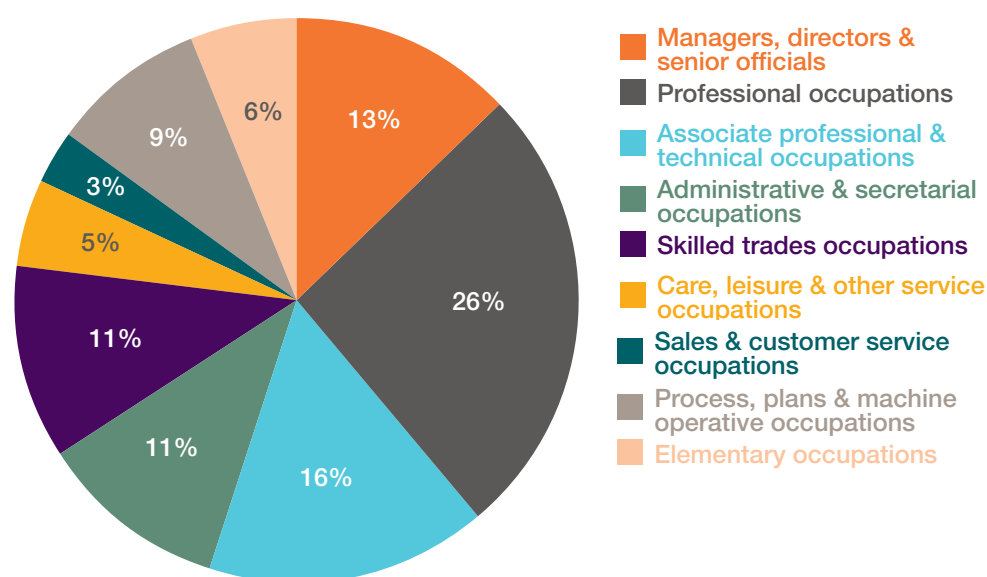
6.2 CHARITY SECTOR

Our data on internships does not identify which are in the charity sector. However, through our research we heard from prospective and current interns that many charities operate large internship programmes, often unpaid. There have also been prominent cases reported in the media, such as the National Trust’s expenses-only internship scheme employing 33 unpaid interns for six months at a time (Johnston 2016). In many cases, the internship will legally constitute ‘volunteering’, and therefore the intern is not entitled to the national minimum wage. However, this is not always the case – and as in other sectors, charities running on a model of having many volunteer interns relative to staff will contribute to the problem of poor access to and diversity in their sector.

National data shows that in fact, the charity sector is not as diverse as the working population as a whole. While 12.1 per cent of the population working across sectors in the UK outside of London is from an ethnic minority background, in the charity sector, this is true of only 6.3 per cent of people.¹⁶ Within London, 28.7 per cent of the working population are from an ethnic minority background, but in the charity workforce, only 21.6 per cent are.

FIGURE 6.7

The charity sector has a greater proportion of young workers from advantaged backgrounds than the UK economy as a whole
Socioeconomic background of charity sector workers aged under 30



IPPR analysis of ONS, *Labour Force Survey 2014–2016* (ONS 2016a)

¹⁶ Labour Force Survey 2014–2016 pooled to ensure sufficiently large sample sizes (ONS 2016a).

Neither is the socioeconomic background of entry-level charity workers equivalent to the backgrounds of young people working across the economy. While 44 per cent of entry-level workers across the economy had a breadwinning parent in a managerial or professional occupation at 14, for the charity sector, that figure is 55 per cent.

The charity sector is also particularly concentrated in London at entry level. 19.3 per cent of entry level workers in the sector are in Greater London, compared to 12.7 per cent of older workers.

Best practice

As in the creative sector, a number of charities are turning to look at the diversity of their intakes and how improving access to internships may support greater diversity. One small NGO that we interviewed, UKREN, explained the difficulties of offering high-quality work placements that are accessible, on a shoestring charity budget. UKREN has chosen to pay interns for the valuable work they provide, but also offers part-time and flexible working options so that interns can top up their income with part-time work, so long as one day a week overlaps with part-time staff for coaching and coordination. One problem the manager has experienced is the sheer number of applications received in the competitive internship market, which takes time to sift through. He has chosen not to interview candidates, but to assess applications on the strength of the written application, with the name of the applicant removed and standardised questions in place of a CV and cover letter. Not only does this save time, but in his view, is less biased. To ensure the opportunity is valuable, priorities for the internship are set at the beginning of the placement with the intern, and interns are given substantial responsibility and independence.

At Amnesty International, interns are also given flexibility over the days that they work. There is an induction scheme to ensure priorities for the intern is set, to welcome them to the organisation and structure their time there. Our interviewee told us this is important to 'capture the excitement from when they are offered the role'. Interns are provided with access to events, internal bulletins and information, and given exposure to different parts of the organisation to both allow them to feel included and provide the best possible experience.

6.3 FINANCE SECTOR

The finance sector advertises 5.5 per cent of all job postings in the UK, but 9.3 per cent of all internship vacancies. The sector is highly geographically concentrated; 82 per cent of finance and insurance internships are in the capital, making up 14.8 per cent of internships in London.¹⁷

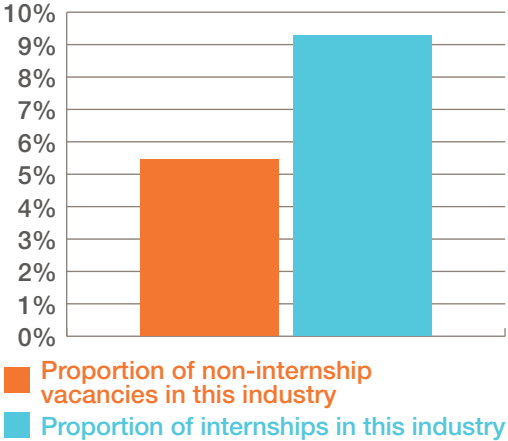
On some measures, the entry-level workforce of the finance sector is more diverse than that of the creative and charity sectors, and indeed similarly diverse as the local working population. For example, 33.6 per cent of the entry-level workforce in finance is from an ethnic minority group, compared to 30 per cent of the entry-level workforce across sectors.

17 IPPR analysis of Burning Glass Technologies data.

However, the socioeconomic background of young people working in finance is not reflective of the working population: 51 per cent of entry-level workers had a breadwinning parent in a professional or managerial occupation at the age of 14 compared to 44 per cent of the same group across sectors.

FIGURE 6.8

The finance sector advertises a disproportionate number of internships
Proportion of internships versus non-internship vacancies in the finance sector

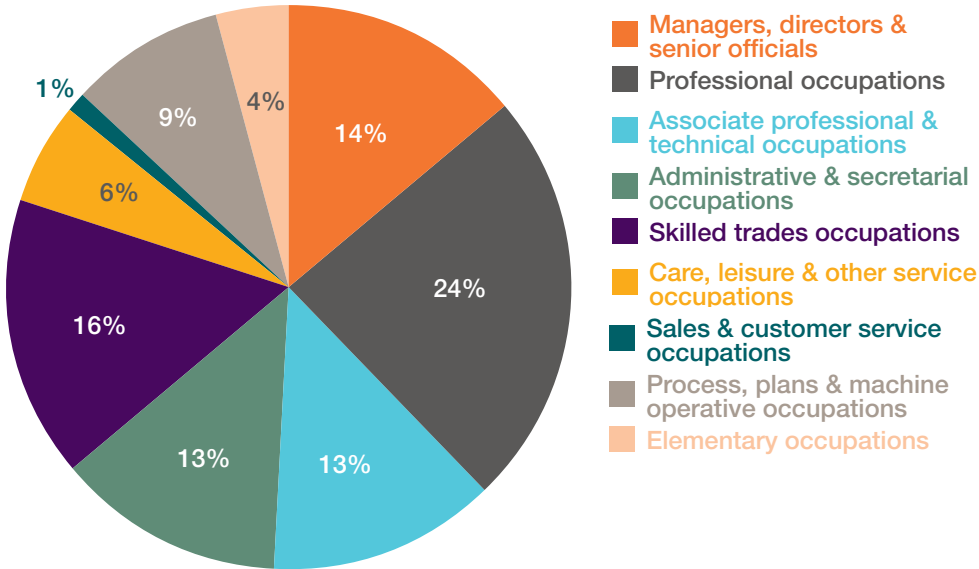


Source: IPPR analysis of Burning Glass Technologies data

FIGURE 6.9

51 per cent of entry-level workers in the finance sector had a breadwinning parent in a professional or managerial occupation at the age of 14

Socioeconomic background of finance sector workers aged under 30



Source: IPPR analysis of Burning Glass Technologies data

And, while across the UK the entry-level workforce is 48 per cent female, in London that figure falls to 40 per cent.

At entry level, the finance sector is highly concentrated in London, with 25.3 per cent of the entry-level workforce working in the capital compared to 11 per cent across the economy, and 17.5 per cent of the over-30 population.

Best practice

While there are several examples of internship schemes that aim to broaden access to finance, the Aspiring Professionals Programme (APP) run by the Social Mobility Foundation is one of the first to have been formally evaluated. Specifically, the charity started its residential internship programme with JP Morgan in 2012. Participants undertake a short placement in London, fully funded, and also receive e-mentoring from an employee at the company.

The Institute of Fiscal Studies (IFS) has evaluated the JP Morgan APP programme and found that among students who go to university, participating in the programme can increase the likelihood of attending a Russell Group institution by as much as 72 per cent, and of attending a university most visited by a top employer by 130 per cent (compared to those with similar attainment from similar backgrounds not participating in the programme) (Crawford 2015). Attending a Russell Group institution is a strong predictor of reaching a career in finance; employment outcomes will be evaluated when the data is available.

7. THE WAY FORWARD

The prime minister Theresa May has argued that ‘advancement in today’s Britain is still too often determined by wealth or circumstance, by an accident of birth rather than talent and by privilege not merit’.¹⁸ Ensuring that access to internships is based on merit and not privilege should be seen as a key test of this government’s commitment to social mobility. We have shown in this report that internships are currently hindering, not helping social mobility.

Internships should no longer remain unregulated, of variable quality and restricted to a privileged few. Providing equal opportunities for students of different backgrounds to enter professions is important both from a moral perspective and to ensure that businesses have access to the widest pool of talent. Making the shift to a world in which internships support greater social mobility will require concerted effort by multiple actors. The aim should be to increase the overall availability of internships and to reduce any barriers to takeup for those who are disadvantaged.

- **Our vision is for a higher education system in which every full-time undergraduate student has the opportunity to carry out a university-approved undergraduate internship.** The starting point for this should be disadvantaged students who are less likely to have the necessary social and financial capital to find a good quality internship.
- Employers are evidently key to unlocking internships for young people. **Our best practice guide¹⁹ that accompanies this report sets out how employers can ensure that their internships are open to talent from across society, and also that through their internships they are offering genuine learning opportunities.** Employers, however, also need support from the public sector and policymakers, as well as each other through employer bodies, in order to increase opportunity.
- In a number of other countries and cities, intern associations provide a powerful collective voice for interns. They offer a platform for interns to gain a stronger political voice, to organise against exploitation and to advocate for improved intern welfare and rights. While the UK has a number of organisations advertising internships and offering advice to would-be or current interns, there is no organisation that advances the interests of interns with a consistent, reliable voice to act as a political force in public debate. **Student bodies and unions, with the support of leading employers, should work with small existing internship organisations to scope the establishment of an intern association for London, England and the devolved nations.**

18 Conservative party conference speech 5 October 2016

19 <http://www.ippr.org/publications/the-inbetweeners>

- Finally, **there is a need for an agreed definition of an internship.** Different groups use the term to refer to different kinds of placement – sometimes meaning placements that may last for a year or more, and other times to placements more similar to work experience – in that the intern is not producing meaningful work that an employee would otherwise have done.

7.1 RECOMMENDATIONS

Recommendation 1: Universities should offer brokered work placements to all students, prioritising disadvantaged undergraduates

In terms of what would most support them to offer more placements, employers cite financial incentives (particularly for small employers), reduced bureaucracy, and receiving help on finding suitable candidates (UKCES 2015). Of potential public sector intermediaries, universities are particularly well placed to offer this kind of support as they already work with young people preparing for the labour market, and have careers services that have contacts with employers. They are also well positioned to identify and support students without access to the contacts that could help secure internships (although the proportion of students who are disadvantaged in the graduate jobs market varies widely by institution). Finally, by acting as an intermediary, universities can require employers to conform to quality standards for internships, thereby driving up the quality of learning in placements and also ensuring that minimum legal requirements, such as pay, are met.

There is also a strong case that helping students access internships should in part be the responsibility of universities. While university education serves many purposes, including the ‘intellectual wellbeing’ of the country, it is also important that individuals leaving higher education are well equipped to find work – especially given the fees that individuals pay and the subsidy of education from the taxpayer (Wakeham 2016). Workplace experience is an important factor in ensuring young people can get jobs (see chapter 4), but increasingly students are not working alongside their studies. Only 35 per cent of 18–24-year-olds in full-time education work alongside studying, compared to 42 per cent in 2006 (Roberts 2017 forthcoming). This is probably both because of supply side factors, with students focusing on high-stakes examinations, but also demand side as while the number of students has increased, the number of part-time low to mid-skilled work opportunities has not increased correspondingly (ibid). This means that if universities are to ensure their students have good employment prospects, they will need to consider how to provide opportunities to gain experience of the workplace.

Given they are well placed to support employers and students **we recommend that universities broker internships for their students through partnerships with employers.** The goal should be for every full-time undergraduate student to have the opportunity to carry out a university-approved undergraduate internship. Priority should be given to supporting disadvantaged students who are less likely to have the necessary social and financial capital to find a good-quality internship. This will require coordinated goals and working between employment and career services, and widening participation teams.

Internships and work placements in universities

The current picture of provision for work placements is mixed. In recent years efforts by universities to work with employers on creating employment links for students have increased.²⁰ Across the sector, a wide range of work placements are now offered by universities alongside formal learning – including industrial placements, sandwich years, or less formal opportunities such as internships and voluntary work. Some of these are focused on disadvantaged students. For example:

- Kings College London supports internships by matching students to opportunities, giving priority to those from low-income and non-traditional backgrounds, as well as working with the charity upReach to offer application support to low-income students.
- Warwick University runs a Graduate Internships Programme offering 12-week, paid internships with SMEs and charities to graduates who may be unemployed or working in non-graduate roles. The programme is part-funded by alumni contributions, and part-funded by Santander. Another internship programme offers placements in regional high-value manufacturing SMEs.
- Exeter University has an Access to Internships (A2I) scheme, which provides funding to support current students who meet the widening participation criteria to undertake internships. The funding can be used by SMEs to pay the intern a wage, by the student to take an unpaid volunteering opportunity at a charity, or for a student interning at any company to help with the costs of an internship such as accommodation, travel or work clothes.²¹
- Oxford University runs a programme in which disadvantaged students receive tailored support in getting work experience as well as a stipend to support at least one internship, as part of a broader package of financial and other support.²² The Oxford University Internship Office also organises around 450 internships for students each year, with the support of alumni around the world.²³
- A number of universities provide financial support to help SMEs offer paid internships, either through sponsorship or EU funding. Sunderland University offers this kind of support, alongside the provision of back office functions including matching students to placements and contract writing, to reduce the burden on employers. Sunderland also offers placements to graduates of the university, and reports that many ‘are later offered permanent positions with their host companies’.²⁴

While these models and examples are promising, placements vary with subject studied and institution. In particular, sandwich

20 IPPR interview with Tim Wilson, author of the Wilson review 2014

21 <http://www.exeter.ac.uk/careers/internships/access/a2i-fundingforwpstudents/>

22 Moritz Heyman scholarship, funded by a private donation, up to 175 places available out of 3,200 students each year.

23 <https://www.offa.org.uk/access-agreements/searchresult/?prn=10007774>

24 <http://www.sunderland.ac.uk/futures/getexperience/graduateinternships/>

placements are particularly concentrated in STEM disciplines, making up 45 per cent of placements, compared to 23 per cent of placements in non-STEM subjects. Many employers, meanwhile, are less engaged than they would like to be, with 12 per cent saying they would welcome more proactive approaches from educational institutions to link their students to employers (UKCES 2015).

The higher education and research bill, expected to pass in 2017, increases incentives for universities to focus on employability for their students by introducing a Teaching Excellence Framework (TEF) to go alongside the Research Excellence Framework (REF), which will include key metrics on employment outcomes for young people. Encouragingly, the proposals include reporting metrics by student group, so that universities will have to report employment rates for disadvantaged students. The bill will also allow universities to raise fees in line with inflation if they perform well in the TEF and have in place an Access Agreement with the new Office for Students, which will incorporate the Office for Fair Access.

While the incentives are now in place for universities to improve access internships, for these examples to be extended more widely across the higher education sector, funding also needs to be available. We argue that the costs of increasing access to internships should be funded using Office for Fair Access (OFFA) countable funding – equal to £725 million in 2014/15. Universities currently use these budgets for a number of purposes, including fee waivers. In 2014/15, universities spent £125.9 million on fee waivers, compared to £29.8 million on progression activities for people from low-income backgrounds and other underrepresented groups, including employability-enhancing interventions.²⁵ There is little evidence showing that waivers have an impact on participation or outcomes for disadvantaged students. Indeed, financial support of all forms (bursaries and fee waivers) does not appear to impact on actual behaviour regarding university participation and continuation – though students do report an impact, suggesting a gap between attitudes and behaviour (Nursaw Associates 2015). Instead these funds should be used for a broader range of activities such as unaccredited internship provision for disadvantaged young people (Wilson 2014).

Any model of internship provision through universities should reflect the position of universities as independent institutions that have different specialisms and ways of running courses.

We therefore make the following recommendations to universities.

- **Provide back office functions to encourage employers (and particularly SMEs) to offer internships**, including for some employers their payroll/HR/legal functions. Providing a matching service can ensure more successful internships and also allow universities to put forward disadvantaged students. As well as OFFA countable funding mentioned above, local economic partnerships (LEPs) may also be willing to fund centralised back office functions.

25 <https://www.offa.org.uk/press/quick-facts/#overallspend>

- **Potentially offer a small wage subsidy for SMEs where the placement is not part of an accredited course** (and therefore will usually be eligible for payment of the minimum wage). To ensure access to national opportunities as well as local economies, universities should work with charities that have relationships with national employers, such as upReach or the Social Mobility Foundation, or should collaborate to share opportunities across universities.
- **Activities within universities should include encouraging students to take up placements**, as many do not recognise the benefits of doing so.
- **Only placements that comply with minimum wage legislation should be supported.** Where work shadowing does not require payment of the minimum wage, we suggest universities consider providing an allowance or only engaging with employers that offer payment.
- Opportunities may be for current students or recent graduates: we recommend that **placements should be one to two months for current students to fit around study commitments, and placements up to six months should be supported for recent graduates.**

In order to further strengthen incentives for universities to focus on employment outcomes for disadvantaged students, we recommend that **the TEF metrics include the proportion of disadvantaged students in highly skilled work one and two years after graduating**, using DLHE data.²⁶ The government should also consult on using longitudinal education outcomes (LEO) data in future years to report on earnings outcomes for disadvantaged students.²⁷

The TEF focuses on outcomes rather than processes, to allow universities to meet outcomes in the way that best suits them. However, given the importance of work experience in employment outcomes, the Office for Students should also **encourage universities to broker internships for disadvantaged students by including a recommendation to do so in its Access Agreement guidance.**

Recommendation 2: A new residential internship opportunity programme for young people from Opportunity Areas

Geographic mobility is important for social mobility, as young people less able to move to where the opportunities are will struggle to access the most competitive jobs. Regional imbalances in the UK economy mean that jobs are concentrated in London, the South East and metropolitan areas. However, internships that provide access to desirable jobs are even more geographically concentrated, with up to 85 per cent of all internships in some sectors in Greater London.

The government has earmarked £72 million of funding for ‘Opportunity Areas’, which are currently ‘coldspots’ for social mobility. We recommend

26 Destination of Leavers of Higher Education: <https://www.hesa.ac.uk/data-and-analysis/students/destinations>

27 LEO data refers to new, linked data from several government departments: <https://www.gov.uk/government/statistics/graduate-outcomes-longitudinal-education-outcomes-leo-data>

that a small portion of this, circa £1 million, is used to offer incentives and funding for top employers to offer residential internship programmes for disadvantaged young people from Opportunity Areas.²⁸ This should act as a pilot, evaluated by the Education Endowment Foundation, to inform future practice outside of Opportunity Areas.

Recommendation 3: Employers should be able to access apprenticeship levy funding for offering high-quality placements to students

Over half of employers in the last year did not offer any kind of work placement, with a lack of capacity – in terms of time and resources – identified as the major barrier (UKCES 2015). Reducing the real and perceived burden on employers is therefore important for increasing the supply of high-quality placements.

From April 2017, all large employers will be required to contribute 0.5 per cent of their payroll costs to an apprenticeship levy. The government currently only pays for the off-the-job training element of an apprenticeship, with employers required to pay their wage. For a number of sectors, such as the professions, arts and media, apprenticeships are not a typical route into employment and employers are currently likely to treat the levy as a ‘sunk cost’, even leading to the cancelling of existing training schemes.

We recommend that to help employers with the cost of offering an internship, employers offering placements to young people that are accredited as part of university courses should be able to access funding through the new apprenticeship levy. This funding should be restricted to accredited placements in order to mirror the mixed model of work and classroom-based learning present in apprenticeships, and avoid government subsidy of poor-quality placements – which may occur without the oversight of universities. This will both help reduce the financial barriers facing employers and allow those employers for whom internships are a more appropriate form of early training than apprenticeships the opportunity to recoup their levy contributions, where otherwise they may have been treated as a sunk cost. In order that this policy does not ‘crowd out’ apprenticeships, a smaller amount of funding from the levy should be available to employers than is available for apprenticeships, so that only employers for whom apprenticeships are less relevant choose to use the funding for internships. We envisage the total amount of funding available for internships to be no more than a 1.5 per cent top slice of the total levy budget (£30 million by 2020), with a smaller amount per learner claimable to avoid crowding out apprenticeships.

Employers should also follow our guide²⁹ to offering accessible, high-quality internships that accompanies this report. The guide sets out how employers can ensure that their internships are open to talent from across society, and also that through their internships they are offering genuine learning opportunities.

28 The JP Morgan/Social Mobility Foundation residential programme is an example of how this could work in practice – see our best practice case study in section 6.3 on the finance sector.

29 <http://www.ippr.org/publications/the-inbetweeners>

Recommendation 4: A new association should be established to give a stronger voice to interns in London and the UK

Cities such as Geneva, New York and the Hague, and countries such as Canada have intern associations that provide a powerful collective voice for interns. They either uniquely act to represent intern interests or bring together existing intern associations across a region or country. Typically membership organisations with an institutional structure and sometimes paid staff, they are established bodies that play a long-term role in improving standards. They have a number of key functions:

- advocating for improved intern welfare and rights
- developing and maintaining high-quality standards
- raising awareness of the challenges facing interns by naming and shaming employers for poor practice or by praising good practice in the public debate
- facilitating information sharing and communications.

Without stronger representation it is likely that the voice of interns will continue to struggle to be heard and issues such as the accessibility and quality of internships will continue to be neglected as a result. While the UK has a number of organisations advertising internships and offering advice to would-be or current interns, there is no organisation that advances the interests of interns with a consistent, reliable voice to act as a political force in public debate. For example, Intern Aware, which performed some of this role during the coalition government, is not currently active.

Interns we interviewed through this research were in favour of any organisation that could play such a role in the UK. Rather than replacing existing groups, the aim of this association should be to lend support to strengthen the voice of existing groups and ensure their sustainability.

Building on successful international models, we recommend that student bodies and unions (including the National Union of Students and trade unions), with the support of leading employers, work with small existing internship organisations to scope the establishment of an association for London and England and the devolved nations.

Internship organisations

A large number of associations of interns or intern-like workers have been formed globally to address a growing concern about inadequate legal protection and compensation offered to interns and others in precarious employment. Many such organisations seek to inform potential or current interns of their rights, to raise awareness and apply pressure to employers through collective action as well as individual legal proceedings. Activities of such associations include advocating for intern rights, hosting meetings and staging rallies. This has provided interns a voice they would not have as individuals. There are many such groups operating in specific geographic locations, such as Intern Labour Rights, which has operated in New York City since 2012, Interns Australia, the Canadian Intern Association, Ganhem Vergonha (Portugal), Brussels Interns NGO, Stagiaires Sans

Frontières (Intern Without Borders, France) and previously Intern Aware in the UK.

Organisations such as the United Nations that take on large numbers of interns have sparked a need for their own groups. The Fair Internship Initiative, made up of current and former UN interns, holds rallies and lobbies the secretary general. While calls for paid internships have so far been rejected, they have received some important media coverage (Ali 2015, Bradley 2015, Buist 2015, Winchester 2015, Aziz 2016) and raised the profile of interns' issues. The Geneva Interns Association seeks to bring together other such associations within organisations across Geneva, in order to form a permanent platform for shared experiences and information 'from one generation of interns to the next'. Other such groups such as the European Youth Forum also bring together different associations, and advocate for their own European Quality Charter on Internships and Apprenticeships. Interns Go Pro runs a European wide kitemarking scheme, as well as running a site for interns to rate their internships – and is recognised as one of Forbes' '30 under 30' most promising social enterprises in 2016.

There are some examples of individuals or private law firms taking action against the internship-providing organisation independent of associations. However, interns are in a vulnerable position, may not recognise when their internship is against the law, and are unlikely to have the money to hire lawyers. Some intern associations therefore offer legal support, such as Intern Aware has previously done in the UK, by offering current and transparent information about their rights within the law and how to pursue legal action against an employer.

While not specifically interns, graduate students working within universities can face similar problems to interns. In the United States for example, a ruling by the National Labor Relations Board ruled that graduate students are not employees (Nickel 2014) and therefore not eligible to negotiate terms of contract. Graduate students at New York University formed the Graduate School Organisation Committee, which is made up of roughly 1,200 graduate workers (teaching assistants, adjunct instructors, research assistants and graduate assistants). Their successes, such as negotiating increase in salaries and benefits, provided precedence for similar committees at other large academic institutions across the country. The Coalition of Graduate Employee Unions has been supporting such efforts within US and Canadian Universities since 1992. The coalition forms part of a larger group of traditional labour unions; the relationship with these unions has provided the coalition with information and strategies on negotiation, organisation, mobilisation and tactics that have supported their success.

Despite these successes, intern associations do experience common problems. Most associations or coalitions operate without any paid staff and are democratically run by members, with key decision-making and leadership held by an advisory board or executive committee, with day-to-day operations handled by member volunteers. Because of the transient nature of the intern labour force, and lack of funding for paid staff, there are often issues with high turnover and lack of permanent leadership.

Sustainable funding and permanent staff, as well as strong relationships with more established, aligned organisations, should therefore be priorities for intern associations going forward.

Recommendation 5: Any placement lasting longer than four weeks should be banned

While some unpaid internships are illegal, others are currently legal if they involve ‘volunteering’, even at private companies (see chapter 2 for a full explanation of minimum wage legislation and internships). Unpaid internships prevent access to opportunities for those who cannot afford to undertake them. The ambiguity in the legality of unpaid internships also means that many employers can either unwittingly or wittingly offer illegal unpaid internships with few repercussions.

We advocate the adoption of Intern Aware’s recommendation to ban any placement in private or public sector organisations for more than four weeks, in order to prevent companies offering opportunities that are only open to advantaged young people and in order to add clarity to when a placement is breaking the law.³⁰ We believe four weeks leaves enough flexibility so that work experience for exploratory purposes can be maintained, but is clear enough that employers will be more aware of their legal responsibilities. Furthermore, polling carried out for Intern Aware in 2015 shows that two-thirds of employers would support this policy (Intern Aware 2015). We do not advocate this restriction for charities, because it would put desirable long-term volunteering at risk. We anticipate that employers would respond to this recommendation by either offering more short-term opportunities, or fewer, paid, long-term opportunities. The four-week limit could be implemented by enacting secondary legislation (under section 41 of the National Minimum Wage Act 1998) which applies the Act (and therefore the minimum wage) to interns in the same way that it applies to workers.

We also believe that **further action should be taken to add clarity to the law as it applies to internships**. In particular, establishing a common, legally protected definition of internships would set a norm for what they should entail and make it harder for employers to attract candidates to low-quality, unpaid positions. It would make enforcement of the minimum wage by HMRC easier by setting a clear obligation to pay any person called an ‘intern’. It would also allow for more consistent and reliable data collection; at present there is little monitoring of the changing position of internships in the labour market because data sources are few and usually incomparable due to different definitions being used. There is widespread recognition of the need for clearer language, for example the recent Wakeham review called for the relevant organisations to come together to define how the term should be used (Wakeham 2016).

We recommend that the government examines the case and means for legally protecting the term ‘internship’, potentially in a similar way to the protection of the term ‘apprenticeship’, such that it only applies to placements that are paid and which offer a training opportunity. We believe that the definition of internships should be distinct from apprenticeships,

³⁰ http://www.internaware.org/four_week_limit

as they do not entail classroom-based learning, and are shorter and more flexible allowing young people to try different careers rather than train in a vocation. However, the details should be determined with the government's legal team and employers.

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