

Pressure rises on businesses to pay interns

Small firms join bigger companies in re-evaluating their summer programs.



*Fashion Institute student Talisa Almonte interned at design house and store chain Rag & Bone.
Photo: Buck Ennis*

By Gale Scott -- May 13, 2014 12:01 a.m.

Brooklyn writer Ross Perlin's book *Intern Nation: How to Earn Nothing and Learn Little in the*

Brave New Economy has unleashed an international debate about the ethics of companies' hiring of unpaid or underpaid workers.

But even before it hit bookstores in 2011, Mr. Perlin's opus had an immediate effect at home. Verso, the small Brooklyn-based company that published the book, decided to start paying its own two interns.

"They were convinced by the arguments in the book, which they subsequently published," Mr. Perlin said.

Now many other businesses in New York City are making the same decision, according to local colleges and universities that are seeing a drop in the number of free intern slots available, partly made up for by an increase in the number of paid internships. At least in the short term, the controversy seems to be having a dampening effect overall, as some companies have put their entire programs on hold.

Only a few years ago, the practice of white-collar companies bringing in interns to work long hours with little or no pay was the norm, at least at nonunion shops. But in addition to feeling the fallout from Mr. Perlin's book, businesses have been rattled by court decisions upholding the rights of interns to be protected by federal wage and hour laws, and by a spate of high-profile lawsuits from former interns suing for back wages.

"We decided it was time," agreed Verso's managing director, Jacob Stevens. Mr. Perlin's book has been a runaway success for the company, with sales of "many thousands of books," he said.

The U.S. Department of Labor has spelled out rules under which unpaid internships are legal. But some companies have simply given up on internship programs. That's what happened at Condé Nast in the wake of a June 2013 suit by two former interns. The company announced in April 2014 that it had settled the suit. A similar suit by former interns at Hearst Publications is ongoing, and is among 25 similar suits filed in New York City since 2011, according to news organization ProPublica (which pays its own interns \$700 a week).

Reduction unwanted

Unpaid internships 101

According to the New York State Department of Labor, unpaid internships at for-profit companies are legal if they are part of an academic program.

Other restrictions apply:

- Training must benefit the student, not just the employer.
- Interns can't replace regular employees and must be screened differently from them.
- Employers must give up some productivity to supervise interns.
- Interns will be free to work elsewhere upon completion.
- Training should be general, not specific to the company.
- Ads for internships must stress training and education.

The uncertainty is affecting thousands of college students in the city. If the shift and the controversy result in a permanent reduction in the number of internships, that would be a negative, coordinators at the schools said. While internships may not be crucial for all fields, they have become an accepted part of education in business and fashion, among others.

"Last year, we did about 240 [internships]; this year, it is probably about 217," said Beth Miller, assistant director of the Weissman Center for International Business at Baruch College, a division of the City University of New York. "There has been a chilling effect, more so on larger organizations that have either totally restricted internships or stopped offering them."

The center works with about 50 companies, she said.

Andrew Cronan, who directs the career and internship center at the Fashion Institute of Technology, agreed that these work-site programs have declined recently.

"What we have seen is that some companies have re-evaluated their programs and are offering more summer paid internships," he said. "I would say what we are seeing are some temporary pauses, and programs that are on hold."

Many unpaid programs continue, such as the one that Talisa Almonte, 22, a Miami resident who attends the Fashion Institute of Technology, recently completed at Rag & Bone, a trendy design house and store chain. For that supervised work experience, she got, and paid for, two credits toward graduation.

"It was really fun and cool," she said. "I sewed samples, did a lot of creative things."

She said that experience, and two earlier ones working for designer Fabiola Arias' small shop, helped improve her design skills, ones that recently won a school contest for a sportswear outfit.

"I never felt exploited at all," Ms. Almonte said.

Rag & Bone would not discuss its unpaid internships, but a spokeswoman said the company "is pleased when interns enjoy their time here."

Smaller businesses that want to use interns are definitely feeling pressure to pay them, said Baruch's Ms. Miller. "They are more willing to offer compensation," usually from about \$8 to \$16 an hour, she said.

Exploiting students?

Still, there is another question at hand: Are colleges complicit in exploiting interns when they give academic credits for interning—charging students for these credits even when the schools did not spend the same time or money involved in offering classroom instruction?

Critics, including Mr. Perlin, charge that practice lets educational institutions get easy money at the expense of students, particularly if the internships are unpaid.

At FIT, Mr. Cronan said, the school carefully supervises both the interns and the programs offered at the work sites. "It's not a fair criticism at FIT," he said. "Internship here is academic, not employment."

Students go through a semester of preparation before they leave for a work site, he said. There are 25 faculty supervisors for 1,000 internships.

Jerry Cahn, founder of Mentor Our Kids, a year-old nonprofit consulting firm that collects fees from companies for setting up internship programs, predicted paid internships will become more common, because of employers' concerns about violating the law. But he believes that companies that act responsibly as mentors, pay at least minimum wage and devote time to training student workers will continue to offer internships and will be welcomed by educators.

"People who understand the value of interns did not experience any chilling effect" from the new controversy, he said. "Companies that canceled their internship programs have thrown the baby out with the bathwater."

A version of this article appears in the [May 12, 2014, print issue](#) of Crain's New York Business as "Pressure rises on firms to pay their interns."