

Paid or unpaid, managing interns ‘tricky business’

By Holly Culhane, Contributing Columnist



As with the swallows that annually flock back to San Juan Capistrano, you can mark your calendars for the arrival of summer interns at local companies. It is a decades-old tradition, theoretically established to give students practical experience and a leg up on landing a full-time job.

But too often companies use summer interns as cheap, or even free labor to cover for full-time employees' vacations, or to catch up on grunt-projects.

Companies that exploit summer interns just to save money do so at their own financial and legal risk.

Well-structured and managed internships benefit companies in a number of ways. They can help train an industry's workforce and "test drive" potential new employees. They can help recruit workers to fill critical, high-demand jobs. And student interns often bring new ideas into the workplace.

Students can benefit substantially from completing well-run internships. Surveys recently conducted by such groups as the National Association for Business Economics found companies intend to hire more college graduates in 2014 than in the previous five years. These companies will be giving preference to students who have completed internships.

But it is the unpaid internships that are raising red flags with regulators and universities, and prompting legal challenges from students. An OurTime.org survey of Millennials – people born from the early 1980s to early 2000s – found a resounding majority object to the use of unpaid internships.

Of particular note is the ongoing lawsuit brought by former unpaid Hollywood interns against Fox Searchlight Pictures and other units of Fox Entertainment Group. With a ruling expected next year, the class action lawsuit claims the age-old use of unpaid interns as "go-fers" on movie sets violates federal labor laws.

Attorneys for Fox Searchlight reject the argument, contending the interns were not employees subject to wage protection and that they did, indeed, receive benefits because they "participated in a wide variety of activities in exchange for academic credit" and "performed an array of duties tailored to each intern's unique interests."

The movie industry is not the only one under fire. Lawsuits have been filed on behalf of unpaid interns at Warner Music Group and Atlantic Records, and at publishing houses, including Hearst Corp. and Condé Nast, which canceled its unpaid internship program last fall.

All internships with for-profit companies must comply with the federal Fair Labor Standards Act. The act allows for unpaid internships generally under six conditions:

- The internship, even though it includes actual operations in the employer's facilities, is similar to training given in an educational environment.
- The internship is for the benefit of the intern.
- The intern does not displace a regular employee, but works under the close supervision of existing staff.
- The employer that provides the training derives no immediate advantage from the activities of the intern; and on occasion, its operations may actually be impeded.
- The intern is not necessarily entitled to a job at the conclusion of the internship.
- The employer and the intern understand that the student is not entitled to wages for the time spent in the internship.

California has additional requirements for unpaid internships. While the benefits may be too many for a company to abandon its program, care must be taken in managing summer interns. For additional information, go to www.dol.gov and www.dir.ca.gov.

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