



INTERNSHIP Compensation

a guide for employers



Originally created by:



intern [in-turn]

noun.

a person who works as an apprentice or trainee to gain experience in a chosen field

verb.

to perform the duties of intern, usually with enthusiasm, determination and proficiency

SEE ALSO: future star

In other words, a great idea!

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Paid vs. Unpaid Internships

The debate over the legality of many unpaid internships has reignited as the number of unpaid internships has risen in recent years and the job market for new graduates continues to worsen.

Employers who treat unpaid interns as free labor may be opening themselves up to a costly lawsuit. The U.S. Department of Labor has a set of six criteria regarding what constitutes a legal unpaid internship. While the criteria can be seen as vague, not meeting one of them may open you up to a lawsuit.



It has been found that pay helps employers attract the best talent, not only because money is a big motivator, but also because it helps attract a larger group of highly qualified individuals, including those who may not be able to work for free due to financial need. In addition, pay is an integral part of treating interns as professionals making them more likely to play the part and more likely to join your company full-time at the end of the internship.

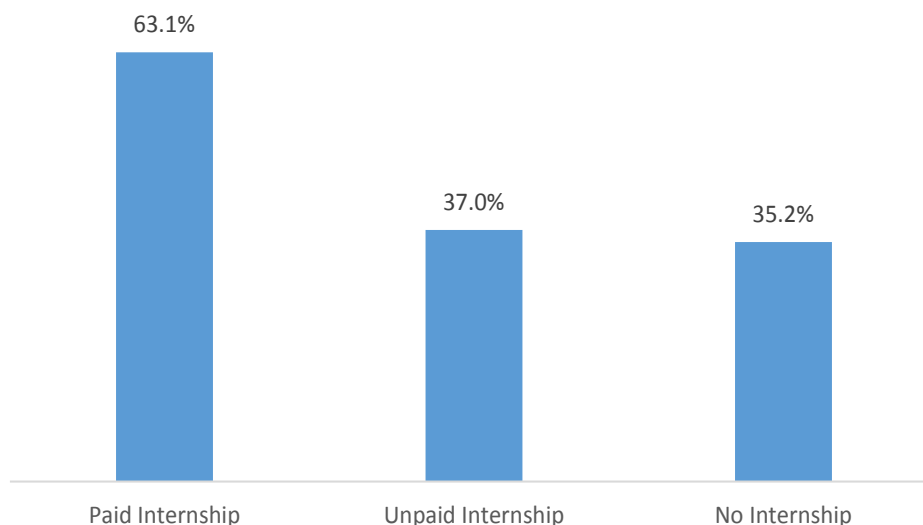
For more information, please visit the United States Department of Labor @ <http://www.dol.gov/whd/regs/compliance/whdfs71.htm>

Intern vs. Full-time Hire

Hiring a full-time employee, even at entry level, is a big investment of time and resources. If the new employee does not work out, the process of letting them go is also laborious. Internships are understood to be short term engagements and eliminating a bad hire simply becomes a short waiting game. Hence more and more companies are using internships as a trial period for full-time hires, reducing the risk of a costly firing process if the candidate does not work out. In addition, due to the fact that interns do not usually qualify for benefits, processing through HR is a quick affair.

Do Internships Lead to Jobs?

Percentage of 2013 College graduates who received job offers, grouped by internship experience. *NACE 2013 Student Survey*



LookSharp.com Career Counselor Karen Obringer outlines some further benefits to hiring interns:

- Internships enable companies to train potential future employees
- Interns provide new energy to the office
- Interns provide new ideas and technology into the office
- Interns can do the work that the full-time staff haven't had time to accomplish or even start
- Interns can help evaluate current company practices and offer suggestions of alternate options

Compensation Breakdown

How much should I pay my intern?

The most important benefit you can offer an intern is a highly educational experience that provides access to top-level employees, and industry experience. That being said payment is important to set your position apart from the status quo and attract the best candidates. Minimum wage or even a simple stipend can radically improve the quality of applicants to your internship. In addition, pay improves intern morale as well as provides a great incentive for interns to take more responsibility and do better work.



TO ATTRACT TOP 25%
OF STUDENTS

TO ATTRACT TOP 5%
OF STUDENTS

	TO ATTRACT TOP 25% OF STUDENTS	TO ATTRACT TOP 5% OF STUDENTS
Communications/PR	Minimum Wage	\$12-\$15/hour
Marketing	Minimum Wage	\$12-\$15/hour
Computer Science/ Engineering	\$12/hour	\$15-\$22/hour
Graduate Business Student	\$12/hour	\$15-\$20/hour
Non-Profit	Unpaid/Stipend	\$12/hour

Human Resources Questions

Should interns be added to payroll, set up as independent contractors or something else entirely?

Interns should be added to payroll like regular employees. The intern should file a W4 and your payroll firm should deduct the proper state and federal taxes. As a rule, independent contractors are individuals who have their own legal entities, do not require supervision or direction in completing a project and provide their own tools. The vast majority of internships do not meet these requirements, although some virtual internships are the exception.

Can I pay with a stipend? If so, how?

Paying interns under minimum wage is illegal for most for-profit companies. Therefore there is no proper process to pay interns at a for-profit with a stipend. In practice, most companies who utilize stipends usually do so by issuing students a 1099 form (designating them as a contractor) which also requires the student to manage their own tax deductions from this sum. However, employers improperly classifying interns run the risk of significant penalties and fines. Non-profits on the other hand can classify interns as volunteers and then pay the stipend as a “nominal fee.” The stipend cannot exceed 20% of what would have been paid to a worker performing the same job and cannot be related to the number of hours worked. Stipends over \$600 a calendar year must be reported as 1099 income, stipends under this amount do not need to be reported.

How do I offer school credit for my internship?

The burden is on the student for getting school credit. Students will have to visit their career centers and fill out the relevant paperwork. Each school will have different requirements for internships to qualify for school credit. Most of these requirements are fairly lax and vary so much from school to school that employers should not bother making their internships credit compliant until the student presents the requirements.

Writing an Internship Contract

Below is an example of a typical internship contract.

January 1, 2015

Dear [Intern Full Name]:

I am pleased to offer you a Marketing Internship with Widgets, Inc. (the “Company”) as of January 1st, 2015 (the “Effective Date”) and reporting to Jane Doe, Chief Marketing Officer of the Company. In addition to the duties that were outlined during your interviews, you shall perform such other duties as are customarily associated with such position and as the President, the Board of Directors, or its authorized representative may from time to time require. You shall devote your full business efforts and time to the Company and agree to perform your duties faithfully and to the best of your ability. You agree not to engage in any other employment, occupation or consulting activity for any direct or indirect remuneration without the prior approval of your supervisor.

State position, full company name, start date.

You should be aware that your employment with the Company constitutes “at-will” employment. This means that your employment relationship with the Company may be terminated at any time with or without notice, with or without good cause or for any or no cause, at either party’s option. You understand and Agree that neither your job performance nor promotions, commendations, bonuses or the like from the Company give rise to or in any way serve as the basis for modification, amendment, or extension, by implication or otherwise, of your employment with the company.

Optional clause if an intern’s full time employment at your company is critical during the internship.

You will be compensated \$15.00 per hour of work performed. You will be paid in accordance with The Company’s normal payroll practices and be subject to the usual, required withholding.

Clearly state the amount and forms of compensation.

While employed hereunder, you will not be entitled to participate in the employee benefit plans maintained by the Company, if any. You will be eligible for paid leave and paid holidays only as approved by your supervisor. (Benefits are optional per employer)

This clause clearly distinguishes that interns at your company do not receive full benefits. This can be adapted to fit your internship program’s offering.

The Company will also reimburse you for reasonable and documented travel, entertainment or other expenses incurred by you in the furtherance of or in connection with the performance of your duties hereunder, in accordance with the Company’s expense reimbursement policy as in effect from time to time.

You agree to enter into the Company's Proprietary Information and Invention Assignment Agreement (the "Proprietary Information Agreement") (optional) upon commencing employment here under.

Attach non-disclosure agreement if necessary.

You acknowledge and agree that you are executing this letter voluntarily and without any duress or undue influence by the Company or anyone else. You further acknowledge and agree that you have carefully read this letter and that you understand the terms, consequences and binding effect of this letter.

This letter, together with the Proprietary Information Agreement and any agreement you enter with the Company represents the entire agreement and understanding between the parties as to the subject matter here in and supersedes all prior or contemporaneous agreements, whether written or oral. In the event that any provision hereof becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this letter will continue in full force and effect without said provision.

No waiver, alteration, or modification of any of the provisions of this Agreement will be binding unless in writing and signed by duly authorized representatives of the parties hereto. This letter shall be governed by the internal substantive laws, but not the choice of law rules, of the State of Florida.

To indicate your acceptance of the company's offer, please sign and date this letter in the space provided below and return it to the address indicated below. A duplicate original is enclosed for your records. We hope that this offer will be favorably received and we look forward to working with you at Widgets, Inc. Your anticipated start date is, January 1, 2015.

Sincerely,
Jane Doe
Chief Marketing Officer

ACCEPTED AND AGREED:
[Intern Full Name]
Signature:
Date:

More Resources:

Talent Development Network
TDNmiami.com

Looksharp powering InternMatch
looksharp.com

U.S. Department of Labor
dol.gov

Fair Labor Standards Act
dol.gov/whd/flsa

University and College Career Offices
Contact available on school websites or visit
TDNmiami.com

The Beacon Council
beaconcouncil.com
onecommunityonegoal.com

The Talent Development Network is a Beacon Council, One Community One Goal initiative.

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“The Complete Intern Compensation Guide” was originally created by:



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To learn more, drop us a line at info@looksharp.com

Some companies we work with:

