



## Graduate Internships

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This note provides information on graduate internships, including the National Internship Scheme and the Graduate Talent Pool. The National Internship Scheme is an idea first referred to in the press in January 2009 by the then Secretary of State for Innovation, Universities and Skills, expressing the Government's intention to encourage internships across employment sectors. The Graduate Talent Pool, active from July 2009, is intended to both create internships and match graduates to them.

The note also highlights issues around internships, such as the nature of internships, paying for internships, and the perceived advantage given to more affluent graduates as internships become more prevalent. The issue of graduate internships is discussed in the light of general graduate employment prospects, which have suffered during the economic downturn and now face the added pressure of a build-up of graduates from previous years who have not yet been able to find employment.

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## 1 The National Internship Scheme

The proposed national internship scheme was discussed by the Secretary of State for Innovation, Universities and Skills, John Denham, in an interview published in a *Daily Telegraph* article on Saturday 10 January 2009.<sup>1</sup>

The article states that no decisions have been taken regarding the details of the scheme, and there has been no official announcement from the department on whether the scheme will definitely be adopted, and if so in what form and with what eligibility criteria.

The proposed scheme is targeted at easing the situation of new graduates who will find it difficult to find employment in the present financial crisis. Barclays and Microsoft are reported to have already signed up for the scheme. The article stated:

Universities say that firms, and in particular investment banks, are cancelling their involvement in the annual “milk round” - when employers visit universities to recruit students for graduate trainee posts - or limiting their participation to the elite institutions.

While the internships will not pay a full starting salary, the Skills Secretary says that he hopes graduates will be given up to three months paid work. While no decisions have been taken, ministers will consider whether Government money can be used for the scheme. Pay levels will be set slightly above the combined total that a student would earn in that time from a grant and a loan so that interns do not suffer a cut in income. Currently, the maximum annual student grant is £2,835 a year, while the maximum annual maintenance loan is worth £6,475.

Public sector institutions, charities and voluntary groups have also been invited to take part in the programme.

Ministers hope that some placements will lead to permanent work, while all of those taking part in the scheme will benefit from the experience and opportunity to improve their CV.

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<sup>1</sup> [“National intern scheme to help graduates through the recession,”](#) *Sunday Telegraph*, 11 January 2009

## 1.1 Responses

### ***Opposition Parties***

A Press Association article contained responses to the proposed scheme from the Conservative and Liberal Democrat parties:

Shadow skills secretary David Willetts said: "A small number of businesses taking on graduate interns is welcome, but this does not match the scale of the crisis facing young people trying to find jobs.

"That is why we have proposed focusing more than £500 million in the ineffective 'train-to-gain' programme, on helping young people get apprenticeships and worthwhile job opportunities."

Liberal Democrat innovation, universities and skills spokesman Stephen Williams said: "This shows how dire the economic situation has become. It is important that companies do not exploit these proposals by seeing them as an opportunity to get cheap labour.

"The Government is giving with one hand and taking with the other. It would be much better to reduce student debt in the first place by not hitting students with crippling tuition fees."

Mr Williams also called on Parliament to set an example and pass any money on to currently unpaid MPs' interns.

"If the Government is to make money available for this scheme, it should not just expect the private sector to take it on, but should ensure that Parliament does so also," he said.<sup>2</sup>

The scheme was also raised in the following Parliamentary Question on 29 January 2009:

**Mr. David Willetts (Havant) (Con):** The Minister referred to his national internship scheme. Will he confirm that after I spent a Saturday afternoon chasing him round the TV studios, it became clear that there is no Government-funded national internship scheme and that the companies that he has identified as providing internships made it clear that no extra internships were intended on top of the ones already announced? Will he also confirm that the Government made a clear commitment to review the student loan regime, that the review will take place this year and that the review of student finance will look forward to ideas for the future and not simply be historical?

**Mr. Lammy:** The first thing to say is that we are doing all we can to work with employers, careers services in universities, the National Union of Students and students themselves to ensure that students have the best choice and the best portfolio of things they can do when they graduate in the autumn. That compares very well with what was effectively the youth training scheme—YTS—when the Conservatives were in power; nothing was offered then. *[Interruption.]* The internship scheme was begun in a conversation that the Secretary of State had before Christmas with Microsoft, Barclays and others. I have continued those conversations—indeed, I was talking to Barnado's just yesterday. So, there will be an increase in internships later in the year, and that will happen alongside the career development loans and all the other things that will be on offer at the end of the year. As the president of the NUS

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<sup>2</sup> "Firms sign up to graduate internship plan", Press Association, 10 January 2009

has said, this is not a time for panic; it is a time for proper information. I would ask the hon. Gentleman to bear that in mind when he is making public statements.<sup>3</sup>

### **Press response**

*The Times'* report on the scheme highlighted the lack of details available, including comment from the department:<sup>4</sup>

ENTHUSIASM for Denham's intern scheme was in good supply yesterday - but unfortunately details were not.

A spokeswoman for Microsoft said the company in principle "absolutely supports" the idea and had been "really enthusiastic" when the government approached it. Asked what the scheme involved, she said: "We have to sit down and go through the scheme in detail. We have to look at how it compares with what we already do.

"We have had 200 paid interns a year for a number of years and we very much anticipate doing the same this year. In some ways it's business as usual."

Barclays said it was interested in helping with the scheme, but described it as "detail-light". It said that at present it was not planning to increase its number of internships.

In similar fashion BP, traditionally a big employer of new graduates, said it was already planning to run a summer internship scheme for about 100 university leavers this year. However, Emma Hardaker-Jones, head of graduate recruiting at BP, said the group would be interested in becoming involved in Denham's scheme - if it helped increase the chance of finding talented science, maths and engineering graduates.

A spokeswoman for the skills department said Denham's scheme was at a "very early stage" and the department was still making initial approaches to companies. No detail beyond what Denham had said was available. It could give no estimate for the number of internships that would be created.

The *Guardian* also published an article on the scheme, which discusses more broadly the prospects for graduates in seeking employment:<sup>5</sup>

- Major companies have narrowed their search for graduates to five elite universities as they cut recruitment numbers.
- The organisers of the annual graduate recruitment "milk round" say jobs in finance and retail are drying up. Even where companies are recruiting, vacancies will not necessarily last until summer as the economic slump worsens.
- The management consultancy KPMG, seen as a recruitment barometer, says its 600 graduate entry jobs are nearly all taken months ahead of schedule as students scramble for the top jobs.
- Manchester University careers service, the largest outside London, has seen the number of recruitment adverts taken out with its careers service tail off drastically.
- Careers service managers have been inundated with desperate students who don't know what to do when they graduate because their plans are in tatters.

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<sup>3</sup> HC Deb 29 Jan 2009 vol 487 c427

<sup>4</sup> "Labour's graduates aren't getting jobs", *Times*, 11 January 2009

<sup>5</sup> "Generation crunch: young face crisis in hunt for work", *Guardian*, 10 January 2009

- The slump in graduate jobs threatens unemployment for people with lower or no qualifications as graduates turn their sights on non-graduate vacancies.

The most recent labour market survey shows unemployment growing fastest among 18-24-year-olds. Unemployment for young adults was 597,000 in the three months to October 2008, up 55,000 from the three months to July 2008. Three million people of all ages are predicted to be out of work by the end of the year; at least 40% (1.25 million) will be under 25.

...

Malcolm Grant, provost of University College London and current chair of the Russell Group of 20 leading universities, said: "Firms are already narrowing their search to a small number of universities: Oxford, Cambridge, the LSE, UCL and Imperial, and I think that's a shame.

"In employment terms it's rational: it's an easier recruitment process if you have fewer jobs to fill. But it's an arbitrary decision and ... it will be overlooking a rich source of talent at other universities."

At Leeds University, careers advisers are warning students to apply now as vacancies are drying up. "Graduate positions are almost full now when normally they would still have vacancies to fill right through to the summer," said Bob Gilworth, head of the university's careers service. Other careers services said they were operating at full stretch. Elspeth Farrar, head of careers at Imperial College London, said they had been inundated with inquiries from worried students who had expected to go into banking or management consultancy but now felt that wasn't an option.

A poll from the Higher Education Careers Service Unit found 62% of this year's graduates were not confident that their degree would help them get a job.

## **2 The Graduate Talent Pool and online National Internship Service**

### **2.1 Graduate Talent Pool**

In April 2009 the Department for Innovation, Universities and Skills (DIUS) announced the creation of the Graduate Talent Pool, intended to create and match graduates to internships, primarily in England. The Government's stated ambitions for the pool were:

During the current economic downturn the Government is looking to support graduates seeking work. The aim is for the 'Graduate Talent Pool' to support 5,000 internships, building on the 2,000 already achieved through HEFCE's Economic Challenge Investment Fund and will sit alongside other additional graduate opportunities, including:

- Demand for an additional 14,000 postgraduate places can be met by universities and supported by Professional and Career Development Loans. Up to 30,000 Career Development Loans will be available this year;
- 250 short term placements through Mini Knowledge Transfer partnerships, rising to 500 in 2010/11; and
- Thousands of existing volunteering options available through "V", an organisation aimed at young people between 16-25, and other voluntary organisations.<sup>6</sup>

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<sup>6</sup> Department for Innovation, Universities and Skills, [New internships will boost opportunities for graduates this summer](#), 28 April 2009

The [Government's booklet introducing the scheme](#) stated that the internships would be typically three months long, and span the public, private and third sectors.<sup>7</sup> The [scheme's website](#) states that all 2008 and 2009 Graduates from UK universities are eligible to apply for Graduate Talent Pool internships if they are from countries within the European Economic Area (EEA) (which includes all EU countries plus Iceland, Lichtenstein and Norway) or Switzerland.

The following Parliamentary Question discussed the scheme in the context of the Government's plans to assist graduates:

**Jim Cunningham:** To ask the Minister of State, Department for Business, Innovation and Skills what recent steps the Government has taken to assist graduates to secure employment.

**David Lammy:** While these are tough times for graduates we should not forget that a degree remains a strong investment. Businesses are continuing to recruit through the downturn and are Backing Young Britain by offering internships. For those who cannot find work immediately, the government is offering graduates real help to build the skills needed for successful careers longer term: "The Graduate Talent Pool went live for graduates on 29 July and graduates can now match themselves to internships from a range of employers. Over 12,000 graduate internships are available, most of which will be advertised via the Graduate Talent Pool." "A low carbon future leaders scheme offering 1,500 places will be created across six Low Carbon Economic areas." "There are more postgraduate study options (around 24,000 additional places expected) with support available through Professional and Career Development Loans;" "There are around 3,000 extra opportunities to develop enterprise and entrepreneurship skills through the Higher Education Funding Council for England's Economic Challenge Investment Fund;" "Up to 4,000 full-time, and in excess of 50,000 part-time and short-term volunteering places which are available to graduates."<sup>8</sup>

## 2.2 Online National Internship Service

On 18 January 2010 the Government published its response to [Unleashing Aspiration](#), the final report of the Panel on Fair Access to the Professions. As part of this response, the Government announced:

The creation of an online National Internship Service, building on success of the '[Graduate Talent Pool](#)'. This free, nationwide service will help undergraduates and graduates access opportunities and information to develop their employability skills and establish quality standards to benefit both interns and employers. Bursary funding will be available for students from low income backgrounds lacking the means to support themselves. This follows the commitment in the Pre-Budget Report to deliver £8m funding for up to 10,000 new undergraduate internships.<sup>9</sup>

## 3 Graduate Employment

Since the onset of the recession there has been significant concern about graduate employment prospects. On 4 February 2009 the *Independent* reported that the Government was considering restricting the number of highly-skilled migrants to Britain because of fears that graduates leaving university in summer 2009 would struggle to find work.<sup>10</sup>

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<sup>7</sup> Department for Innovation, Universities and Skills, [Boosting Skills in the Workplace](#), April 2009, p8

<sup>8</sup> HC Deb 14 Sep 2009 volume 496 c2185-6W

<sup>9</sup> Department for Business, Innovation and Skills, [Unleashing Aspiration response published](#), 18 January 2010

<sup>10</sup> "[Now it's British jobs for British graduates](#)", *Independent*, 4 February 2009

The Association of Graduate Recruiters (AGR) published a survey of the graduate jobs market on 11 February 2009, which stated that:

- Vacancies for graduates fall for first time since 2003 with a projected decrease of 5.4% in 2009
- Banks expect massive 28% cut in number of vacancies
- Engineering sector bucks the trend with expected 8.3% rise in jobs but there may be a shortfall of graduates to fill them
- Graduate salaries frozen for the first time
- Employers urge struggling graduates to research jobs and prepare for interviews more thoroughly than ever as competition intensifies

...

Carl Gilleard, Chief Executive of the AGR said: "Last summer our members predicted an optimistic growth in vacancies of over 11%. Soon after that we saw a series of catastrophic events in the financial sector with serious consequences for many other sectors such as construction. It comes as no surprise that these seismic shifts in the economy are being mirrored to some extent in the graduate jobs market. The predicted rise in jobs in 2008 simply did not occur.

"However, though we are set to see a drop in vacancies this year, the situation is certainly not as severe as it could be. We saw a sharper decrease in 2003, for example, when recruiters had a negative reaction to the dot.com crash. By and large, while no one doubts the seriousness of the current economic downturn, the picture for graduate recruitment, though worrying, could be bleaker. There are even some silver linings with growth predicted in the engineering and public sectors – both of which are likely to appeal to graduates seeking job security this year.

"What is certain is that the economic crisis is concentrating employers' minds on the war for the best and most well-informed talent. The message coming through loud and clear for this year's graduates is research, research and more research – know your potential employer and know your sector. For those who do not secure that dream job first time round, the key is to take some form of paid employment if you can."<sup>11</sup>

Following on from this initial concern, there has been continued discussion in the media regarding the difficulties faced by recent graduates seeking employment or places on internship schemes. In November 2009 it was reported that graduate unemployment had risen 44% in the previous year, its highest level for 12 years.<sup>12</sup> It has also been reported that the rise in previous years in the numbers of graduates seeking work in the public sector is unlikely to prove sustainable, due to the decline in public spending expected as a response to the recession.<sup>13</sup>

An article in the *Guardian* on 6 January 2010 stated that nearly 90% of small and medium sized companies had not recruited any graduates in the previous year, and a similar number did not intend to do so for the coming year.<sup>14</sup> A *Times* article on 13 January suggested that

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<sup>11</sup> Association of Graduate Recruiters Graduate Recruitment Survey 2009, "[The Party's Over...For Now at Least](#)", 11 February 2009

<sup>12</sup> "Jobless graduates increase 44% in year," *Guardian*, 2 November 2009

<sup>13</sup> "Graduate unemployment," *Times*, 30 October 2009

<sup>14</sup> "[Jobs blow for graduates as companies refuse to hire](#)," *Guardian*, 6 January 2010

the number of entry level vacancies would be rising in 2010, but that graduates looking to compete for these jobs would be up against graduates from the two previous years who remained without full-time work.<sup>15</sup>

#### 4 Press Comment on Internships

Concerns have been raised in the press about the role and nature of internships. Particularly during the present economic downturn, it has been suggested that internships are weighted against those from poorer backgrounds who cannot afford to work for little or no wages. This issue has particularly been highlighted by the development of internships which are 'bought', i.e. the intern pays an organisation for an internship with them over an agreed period.

A BBC news article on 25 November 2009 highlighted issues around fees being paid by interns in order to obtain their positions, focusing on the stronger position granted to more affluent applicants by demands for payment.<sup>16</sup> Similarly, a *Daily Telegraph* article in December 2009 discussed internships that were 'auctioned' or were for purchase at the cost of several thousand pounds.<sup>17</sup> These articles raise the concern that the financial realities of living while on an internship mean that more affluent, rather than the best, candidates are receiving the benefits and improved prospects that internships can give.

Nonetheless, internships are still widely seen as a very effective way for students to gain work experience. On 21 January 2010 an article in the *Independent* discussed the rise in the numbers of internships being sought in the context of an increased focus on internships in the minds of employers.<sup>18</sup>

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<sup>15</sup> "There's good news, and there's bad news; More entry-level positions offer hope for new graduates, but competition is getting tougher," *Times*, 13 January 2010

<sup>16</sup> "Intern fees 'salt in the wound'", *BBC News Online*, 25 November 2009

<sup>17</sup> "Graduates 'paying £8,000 for internships'", *Daily Telegraph*, 18 December 2009

<sup>18</sup> "Internships make a difference when it comes to getting a job," *Independent*, 21 January 2010