

Bridging the Gap: Advancing Equitable Access to Paid Internships for Low-Income Students

PIVOT Think Tank

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Economics Department

Written by: Fatema Fazal, Treffina West, Aiden Aristhomene, Jay Asrani, Adviti Bethi, Michael

Breeze Jr., Daniel Chen, Sophia Cuperstein, Arya Pandya

Led by: Christopher Chung

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Executive Summary

Internships have become a critical pathway for young people entering the workforce, providing real-world experience, professional networks, and career readiness. Yet, access to these formative opportunities is often limited for students from low-income backgrounds, especially in fields where unpaid internships remain the norm. As a result, these students face the unfair dilemma of choosing between financial stability and career development. This disparity reinforces cycles of inequality, as unpaid internships are linked to fewer job offers and lower starting salaries.

This policy brief outlines the current challenges facing internship equity, explores the limitations of existing federal and state programs, and proposes actionable policy recommendations to promote equitable access to paid internship experiences. By enhancing and expanding programs like the Workforce Innovation and Opportunity Act (WIOA), leveraging federal work-study flexibility, and incentivizing employers through tax credits, stakeholders can begin to close the opportunity gap. Schools, too, must step in with curricular adjustments and funding solutions to ensure all students gain meaningful early career experiences regardless of income. Such coordinated interventions will ensure internships reward talent and work ethic, not financial privilege.

Issue Overview / Background

In recent years, internships have increasingly been seen as an important career stepping stone for students to explore: offering them real-world experience, countless connections, and many

opportunities that they otherwise would not have received. The National Association of Colleges and Employers' (NACE) 2022 Survey Report states that 78.6% of students participate in career-oriented opportunities in college, including internships, externships, and other work experience. Furthermore, 68% of student interns receive a return offer from the company they intern at, significantly increasing the likelihood of securing a job opportunity.

Though these internships are rewarding, they are seldom equitable for all students. For example, not all internships are created equal; according to the Center for Research on College-Workforce Transitions (2022), approximately 40% of internships are unpaid. This is especially prevalent in historically underfunded fields such as the arts and media, where unpaid internships are still the norm, according to PBS News (2023). Low-income students who may need to work part-time jobs and support themselves or their families are inordinately excluded from these opportunities that could result in them being able to network, gain work experience, or receive a return offer.

Additionally, students who may not be able to accept unpaid internships are forced to choose between supporting their career and earning income, which fuels the cycle of inequity and limited social mobility, as students neglect their technical and work experience in favor of supporting themselves monetarily, setting them back career-wise in comparison to their peers. This entrenches a feedback loop where wealthier students secure competitive jobs post-graduation, while underrepresented peers fall behind economically and professionally.

Even when low-income students secure unpaid internships, the return on investment is lower, as paid internships correlate with higher job placement and salary. In fact, NACE found that “unpaid interns receive an average of 0.9 job offers compared with 1.4 offers for paid interns, and starting

salaries that average \$22,500 less than students who were paid.” They receive fewer job offers than their colleagues and are paid less in comparison, once again compounding economic precarity and perpetuating income-based inequities in career trajectories.

This brief aims to discuss the proper policy interventions required to ensure that all students have equal opportunity to promote their careers and livelihoods without sacrificing their financial wellbeing. By expanding access to paid internships, companies can ensure that talent, dedication, and potential determines who can benefit from the internship system, not financial privilege.

Current Policy Landscape

In response to the disproportionate impact of unpaid internships on low-income students, multiple levels of government have implemented or expanded initiatives to fund paid internship access. The Workforce Innovation and Opportunity Act (WIOA) is the main federal workforce development vehicle for youth. this federal organization directly discusses 29 US code 3164, which discusses the use of funds for youth, workforce investment activities under labour laws. This law covers a variety of topics, such as the eligibility of the youth from its age range to its educational journey, as well as the expectations of fund usage towards internships. It also covers the responsibility that states and companies have to use funds in local areas to create relevant internships and summer jobs, as well as defining the very nature and process of the job itself, such that it must connect to career pathways, preparation for future training, opportunities, and opening up the concept of paid internships. These topics are under stage 3c of the Local Elements and Requirements and are discussed in the second and fifth bullet points mentioned

under the first topic of Program Design. The law also goes further and includes topics such as parental involvement, the importance of learning skills, such as financial literacy and entrepreneurship and engaging in work experience simultaneously while pursuing high school studies.

WIOA funds, administered by the U.S. Department of Labor, support workforce training and paid experiences for 16-24 year-olds facing employment barriers, especially those from low-income households. In 2023, WIOA youth activities received about \$948 million, serving roughly 131,000 youth. By law at least 20% of WIOA youth funds must go to paid work experiences (including summer jobs and on-the-job training), providing wages so that low-income students can afford to participate.

Some federal workplace programs include WIOA Youth Program (DOL). Through local workforce areas, WIOA funds comprehensive services (tutoring, counseling, skill training and paid work experiences) for disadvantaged youth. In 2023, about 131,402 youth served under WIOA Youth. These programs explicitly target “economically disadvantaged” young people and require paid internships/job placements as part of their services, making them a key equity tool for low-income students.

Below is a summary report on the WIOA youth program in California, covering the number of students that it has served as well as other information such as the training rates and earnings. Fortunately, the median earnings of visible minority groups have increased, and are higher than other majority groups. However, the Government should also include other methods to classify working youth in the States through factors such as Religion, Gender Affiliation and Identity, and their place of living (ie; by County). This can help in identifying sub groups of youth who aren’t receiving internships for many reasons.

SUMMARY INFORMATION													
		Participants Served Cohort Period:	Participants Exited Cohort Period: 4/1/2023-3/31/2024		Funds Expended Cohort Period: 7/1/2023-6/30/2024		Cost Per Participant Served Cohort Period: 7/1/2023-6/30/2024						
Service													
Career Services		10,327	7,537		\$590,685		\$57						
Training Services		3,433	2,533		\$619,115		\$180						
Percent training-related employment ¹ :			Percent enrolled in more than one core program:				Percent Admin Expended:						
22.0%			6.8%				48.4%						
BY PARTICIPANT CHARACTERISTICS													
		Total Participants Served Cohort Period: 7/1/2023-6/30/2024	Total Participants Exited Cohort Period: 4/1/2023-3/31/2024		Youth Employment/Education/ Training Rate (Q2) Cohort Period: 7/1/2022-6/30/2023		Youth Employment/Education/ Training Rate (Q4) Cohort Period: 1/1/2022-12/31/2022		Median Earnings Cohort Period: 7/1/2022-6/30/2023	Credential Rate ³ (Cohort Period: 1/1/2022-12/31/2022		Measurable Skill Gains ³ Cohort Period: 7/1/2023-6/30/2024	
					Num	Rate	Num	Rate	Earnings	Num	Rate	Num	Rate
Total Statewide		17,513	12,003	Negotiated Targets		67.7%		65.7%	\$3,870		60.4%		57.8%
				Actual	7,491	70.6%	7,048	70.9%	\$5,193	2,291	59.8%	5,680	66.6%
Sex	Female	8,652	5,985		3,957	72.0%	3,715	71.9%	\$4,935	1,260	59.9%	2,990	67.3%
	Male	8,768	5,942		3,500	69.1%	3,297	70.0%	\$5,510	1,027	60.0%	2,656	65.9%
Age	< 16	275	89		43	60.6%	27	60.0%	\$1,883	19	42.2%	184	69.2%
	16 - 18	7,157	4,835		2,866	69.3%	2,750	70.4%	\$4,256	1,256	60.2%	3,183	69.1%
	19 - 24	10,058	7,063		4,574	71.5%	4,262	71.3%	\$5,718	1,013	59.8%	2,311	63.2%
	25 - 44	23	16		8	72.7%	9	90.0%	\$5,413		60.0%		50.0%
	45 - 54												
	55 - 59												
	60+												
Ethnicity/Race	American Indian / Alaska Native	559	344		206	71.5%	165	65.0%	\$4,827	51	58.0%	179	66.1%
	Asian	784	541		301	64.7%	295	70.9%	\$4,464	126	68.5%	303	74.1%
	Black / African American	3,072	2,245		1,187	64.7%	1,053	63.0%	\$4,177	276	47.2%	819	61.8%
	Hispanic / Latino	11,116	7,523		4,913	73.1%	4,677	73.4%	\$5,491	1,596	61.8%	3,820	68.3%
	Native Hawaiian / Pacific Islander	140	97		55	67.1%	47	61.0%	\$7,157	18	51.4%	35	59.3%
	White	5,888	3,799		2,296	69.3%	2,210	70.8%	\$5,314	800	64.6%	2,004	70.5%
	More Than One Race	509	311		174	61.5%	139	55.8%	\$4,753	38	46.9%	149	64.2%

The table below categorizes these same students by employment barriers. However, the report should also include additional barriers such as lack of experience, addiction and recovery from substance abuse, health issues and other relevant barriers are not included.

BY EMPLOYMENT BARRIER ⁴											
	Total Participants Served	Total Participants Exited		Youth Employment/Education/ Training Rate (Q2)		Youth Employment/Education/ Training Rate (Q4)		Median Earnings	Credential Rate ³		Measurable Skill Gains ⁵
				Num	Rate	Num	Rate	Earnings	Num	Rate	Num Rate
Total Statewide	17,513	12,003	Negotiated Targets		67.7%		65.7%	\$3,870		60.4%	57.8%
			Actual	7,491	70.6%	7,048	70.9%	\$5,193			5,680 66.6%
Displaced Homemakers	24	19		10	62.5%	10	83.3%	\$6,645		40.0%	8 100.0%
English Language Learners, Low Levels of Literacy, Cultural Barriers	12,414	8,907		5,613	70.4%	5,445	70.9%	\$5,103	1,847	60.1%	4,468 70.4%
Exhausting TANF within 2 years (Part A Title IV of the Social Security Act)		7			20.0%		25.0%	\$2,700			
Ex-offenders	1,050	665		308	59.6%	308	57.1%	\$4,707	81	48.5%	214 58.6%
Homeless Individuals / runaway youth	2,974	1,960		997	67.5%	896	68.6%	\$5,066	241	56.6%	771 61.0%
Long-term Unemployed (27 or more consecutive weeks)	6,880	5,017		2,866	65.9%	2,450	66.9%	\$4,688	674	56.4%	1,992 65.9%
Low-Income Individuals	17,089	11,684		7,270	70.4%	6,843	70.7%	\$5,135	2,203	59.3%	5,544 66.6%
Migrant and Seasonal Farmworkers	44	38		41	74.5%	112	80.6%	\$4,779	59	78.7%	11 78.6%
Individuals with Disabilities (incl. youth)	2,794	1,780		1,003	64.4%	887	65.7%	\$4,532	278	54.6%	781 62.0%
Single Parents (Incl. single pregnant women)	541	402		281	65.0%	288	67.4%	\$5,910	89	57.4%	146 70.2%
Youth in foster care or aged out of system	1,379	865		466	59.9%	427	59.6%	\$3,974	122	48.2%	359 56.3%

Though both of these pictures only represent the state of California out of the other 49 states in the US, these factors will always differ by state.

WIOA's authorization expired in 2020, so its continuation depends on Congress. Legislators have shown bipartisan interest in reauthorizing WIOA with stronger training and equity provisions. For example, proposed bills, such as [H.R.6655 - A Stronger Workforce for America Act](#), would mandate dedicating 50% of WIOA funds to direct skills training/supports and strengthen employer partnerships. While reauthorization remains stalled, Congress has continued annual WIOA funding (\$948M in 2023) through appropriations. This funding is important for low-income youth. For instance, the Forum for Youth Investment notes WIOA serves the largest share of out-of-school and low-income in-school youth facing work barriers.

The 2026 budget proposed by the Trump administration (for the next fiscal year) would consolidate most WIOA programs into a single "Make America Skilled Again" (MASA) block grant, funded at around \$3 billion. This consolidation would eliminate separate funding streams (including YouthBuild, reentry programs, migrant worker initiatives, etc.). The same budget

proposes steep cuts in workforce funding (ex: a \$4.6B or 34.9% cut to the DOL budget and \$12B or 15.3% cut to the Department of Education). If enacted, these changes could undermine paid internship programs for low-income youth. Advocates warn that MASA might reduce targeted support for some populations. By contrast, congressional negotiators are reportedly committed to preserving workforce equity, proposing to maintain funding and require programs to focus on skills.

There are also a plethora of education and financial aid programs. One program includes the federal work-study (FWS). The federal work-study program can be used to subsidize internships for low-income college students. In a 2019 “Work and Learn” experimental initiative, the Department of Education allowed 190 colleges and universities to use FWS funds for off-campus internships with private employers. Importantly, this pilot increased the wage subsidy to 75% for for-profit employers hiring work-study students (equal to on-campus rates). Initial evaluations indicate many colleges leveraged this flexibility to create paid internship opportunities. Administrators report that the pilot helped build new employer partnerships and off-campus career experiences; one community college noted it was “foundational” in expanding paid internships for its low-income students. Such federal efforts are broadening the use of FWS to support internships and other work-based learning.

Beyond WIOA and FWS, some federal proposals aim to link Pell grants and student aid to work-based learning. For example, policy analysts have urged raising Pell grant levels and allowing them to cover credit-bearing internship courses. Congress and the administration have begun pilot programs, such as Pell grants for competency-based programs and dual-enrollment internships, to encourage colleges to provide paid work placements. While these measures are

not yet widespread, they signal growing recognition at the federal level that financial aid should support opportunities for low-income students.

States and cities have piloted innovative programs to expand paid internship access, often targeted at low-income or public school students. Many states and cities have launched local internship programs to expand paid internships. An example of this is New York City's Summer Youth Employment Program (SYEP), the nation's largest youth jobs program, connects thousands of NYC teens (ages 14-24) with paid summer internships and work experiences each year. The program focuses on public school students and low-income youth. With \$210 million of total funding, summer jobs were offered to 100,000 New York City teenagers, whom 56% or female and 44% were male. To break it down further, in 2023, this summer employment program was able to serve 32.9 Hispanic teenagers and 35.6% of black teenagers, further showcasing New York State efforts to combat unemployment among visible minorities. To make their summer job experiences flow smoothly, DYDC partner Lyft offered free bike memberships and DYDC offered free Metro cards, enabling participants to get to and from their jobs while saving money on transit.

Engaging in the New York City summer youth program doesn't just build industry based skills for participants, but represents a sign of career readiness, according to multiple employers. 97% of employers recommend hiring SYEP youth, and 53% of teenagers received a return offer from their employer at the end of their summer job. Multiple initiative, such as financial literacy, training and power skills to support social emotional learning have also been launched to help teenagers navigate their job experiences. This positively shaped their financial decisions, with 70% of students signing up for direct deposit after undergoing financial literacy training.

Likewise, Texas created an “Internship Challenge” campaign to encourage employers to post paid internships for students. These internships have had a fortunate turnout, with placement occurring across 66 profit and 122 nonprofit employers, with 116 additional employers with unspecified company status. out of the total number of 8299 participants, 982 obtained return offers after completing their internships. The state has also placed up internship grants, which students may use to pay for receiving industry certifications, resulting in 1674 students earning industry certifications in 2023 and 884 of these per secondary students earning employment after completing these certifications.

The Texas Workforce Commission provides online tools and guidance, noting that paid internships attract more applicants and should pay at least the state’s minimum wage. Other states, like California and Indiana, have directed workforce or education funds to subsidize intern stipends or require degree programs to include internships. More specifically, California's Learning-Aligned Employment Program created in 2022 enables underrepresented students to receive subsidized internships related to high demand sectors. Indiana also has a career ready program, which requires prior experience in order to be CTE (Career and Technical Education Certified). Indiana’s vision statement about this says that workplace learning “*will have a measurable impact on an individuals, economic, and social mobility, and prosperity outcomes, and an employer access to a qualified pipeline to start or grow a business*”

The landscape is in flux. Congress is debating how to reauthorize and fund WIOA and related programs, while budget proposals would reshape these systems. Many policymakers on both sides of the aisle recognize the importance of paid training for equity. Proposed reforms emphasize skills training and outcome data. Continued advocacy will be needed to ensure that final legislation and budgets prioritize low-income students. If successful, these policies could

expand paid internship and career development opportunities for disadvantaged youth, reducing the equity gap in the workforce.

Problem Analysis

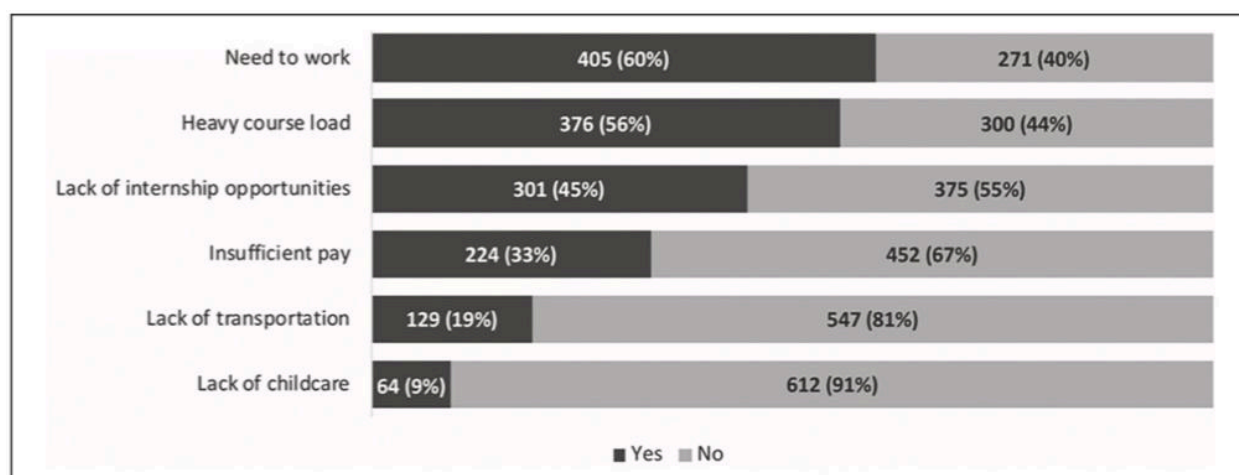
Despite growing recognition of the importance of internships for early career development, access to these opportunities remains deeply unequal, particularly for low-income students. These disparities stem from entrenched structural barriers, limited support from existing workforce programs, and persistent financial disincentives that prevent students from participating in internships without sacrificing income.

1. Structural Barriers Limit Participation

The core structural issue is that many internships—especially in competitive fields like media, politics, and nonprofit work—remain unpaid or low-paid. Students from higher-income backgrounds can afford to take these roles, while those from working-class families must often prioritize paid jobs, even if those jobs provide no career relevance. This divide is reinforced by geographic inequality: major internship hubs like New York and Washington, D.C. have high costs of living that make unpaid or underpaid internships especially prohibitive for students without housing or relocation support.

According to a 2021 study by Sage journal on College students and Internships, 33% or 224 students identified that one of the barriers to receiving internships is insufficient pay and 19% or 129 students identified the lack of transportation to get to and from the workplace. These are unfortunately barriers that low income students face on a day-to-day basis, and prevent them from securing an internship that they may be fully qualified for. In this study, the main barrier to

internships is at 60% or 405 students identified that they needed to continue working at their paid job to support themselves or their families.



Further, the professional networks that often lead to internships are unequally distributed.

Research shows that first-generation and low-income students frequently lack the informal mentorship or family connections that facilitate access to competitive internships (Hora et al., 2020). Many internship programs also use opaque recruitment processes that favor applicants with existing industry knowledge or unpaid prior experience, criteria that systematically disadvantage underrepresented students.

2. Populations Most Affected

The effects of these barriers are concentrated among low-income, first-generation, and racially minoritized students. According to NACE (2021), historically marginalized students are overrepresented in unpaid internships and underrepresented in paid ones, if they participate at all. These disparities compound existing inequities in postsecondary education and employment, widening gaps in job readiness, salary, and upward mobility.

Students attending underfunded institutions—particularly community colleges and regional public universities—are disproportionately affected, as these schools often lack the career services infrastructure to broker internship opportunities or subsidize wages. These students face a double disadvantage: limited access to both high-quality internships and institutional supports that could help them secure one.

3. Consequences of Inaction

If left unaddressed, this problem perpetuates a cycle in which the students most in need of work-based learning are the least likely to receive it. Research shows that paid internships lead to significantly more job offers and higher starting salaries than unpaid ones (NACE, 2021), and the absence of these opportunities contributes to long-term disparities in earnings and employment. This is otherwise known as scarring, which is when long periods of unemployment in a youth's life prevents them from securing job opportunities in the future as they grow older. Employers also lose out on diverse talent and risk deepening their own pipeline inequities by continuing to draw from a privileged applicant pool. Youth unemployment further contributes to a global crisis of unemployment as well as negatively impacting a country's economic growth. Higher levels of youth unemployment can lead to increased poverty and social unrest. It also increases what is known as the dependency ratio, where a huge portion of the population relies on a younger working age population for economic growth and support. It also results in a decreased consumer spending, as unemployed youth have little to no money to spend on goods and services. This further impacts local businesses which reduces their yearly profit, which negatively damages a country's economic growth and decreases their stance in the global market.

Worse, the continued normalization of unpaid internships may signal to students that career development is a luxury rather than a right which undermines public investment in higher education as a tool for economic mobility.

4. Where Current Programs Fall Short

While federal programs like the Workforce Innovation and Opportunity Act (WIOA) and Federal Work-Study (FWS) attempt to bridge this gap, their reach and implementation are uneven. WIOA's youth services, though promising, are constrained by funding limits and inconsistent local administration. The requirement that 20% of youth funds go toward paid work experiences does not guarantee equitable distribution or alignment with students' career goals.

Similarly, recent pilots allowing FWS to subsidize internships have been successful at select institutions but are not yet codified in policy or adopted widely. Many colleges lack the capacity or employer partnerships to implement these initiatives effectively, leaving large numbers of eligible students without access.

According to NACE, internship programs within companies themselves also fall short in a variety of ways. For example, organizations who have a strong mission and solid goals failed to integrate these beliefs in their internship program. This is also because companies may not have expanded or properly marketed their need for interns that meet their specific and vision. Another huge issue is the lack of financial support that students don't receive when they apply for internships, as moving abroad and covering basic expenses can be very daunting for international students to face alone. Additionally, many interns have a lot of questions when they join a company, and may even disobey the unspoken rules unknowingly within the workplace. This can cause full-time members to have a negative assumption of this intern, even though they had no clue what they

did wrong to begin with. This can lead to multiple heated discussions due to the lack of communication regarding what the company expects from their interns in both professional and conversational affairs.

Ultimately, the internship gap is not merely a funding issue: it reflects deeper policy failures in how work-based learning is designed, valued, and supported in the United States. Addressing it will require intentional reforms that center low-income students, expand program reach, and ensure that compensation is the norm for internships. Key groups within internship opportunities such as companies must further reflect on their internship systems and continuously work towards improving them to provide a smoother experience for new interns, while the government should continue to dive deeper and explore under-represented populations, who may not receive internships due to a variety of factors.

Policy Recommendations

To address the systemic barriers preventing low-income students from accessing paid internship opportunities, this brief proposes four targeted policy interventions with specific implementation mechanisms, funding structures, and evaluation frameworks. These recommendations build on successful existing models while addressing current gaps in federal and state programming.

1. Expand and Restructure the Workforce Innovation and Opportunity Act (WIOA)

The Workforce Innovation and Opportunity Act currently allocates \$948.1 million for Youth programs as of FY 2023, with federal law mandating that at least 20% of these funds support paid work experiences. However, this broad definition includes various activities beyond internships, and the program has been operating under temporary funding extensions since its

authorization expired in 2020. WIOA has been due for reauthorization since 2020 and has continued to be funded through temporary extensions in annual appropriations.

Policy Recommendation: The "WIOA Career Pathway Enhancement": Congress should reauthorize WIOA with enhanced provisions specifically targeting college-bound low-income students. The legislation should increase the paid work experience mandate from 20% to 35% of youth formula funds, generating approximately \$331.8 million annually dedicated to structured internship experiences. Unlike current broad work experience definitions, these funds would be restricted to career-relevant internships lasting 8-12 weeks with private sector employers or high-value public sector placements.

The enhanced program would target students ages 18-24 with family income at or below the Lower Living Standard Income Level, which the U.S. Secretary of Labor updates and publishes annually for WIOA eligibility determination. Participating employers would receive reimbursement for up to 75% of intern wages, similar to existing on-the-job training contracts that typically provide 50% wage reimbursement, but with enhanced rates to incentivize quality internship creation. The Department of Labor's Employment and Training Administration would administer the program through existing local workforce development boards, leveraging established infrastructure while adding internship-specific performance metrics including post-internship employment rates and career pathway advancement.

2. Create the "Career Access Tax Credit" for Employers

Building on the successful Work Opportunity Tax Credit model, which has provided employment incentives for targeted populations since 1996, a new Career Access Tax Credit would specifically incentivize employers to create paid internship opportunities for low-income students. This credit

would provide a more targeted approach than general hiring incentives by focusing on structured learning experiences that prepare students for career entry.

Credit Structure and Implementation: The credit would provide employers with a refundable tax credit equal to 50% of wages paid to eligible interns, up to \$3,000 per student for internships lasting 8-12 weeks. Enhanced credits of 75% of wages (up to \$4,500) would be available for internships lasting 12+ weeks that include industry-recognized skills certification components. Additional \$1,000 bonuses would apply for employers in designated high-opportunity sectors including STEM, healthcare, skilled trades, and clean energy, particularly those located in economically distressed areas or opportunity zones.

Student eligibility would be determined through existing financial aid infrastructure, with family adjusted gross income thresholds aligned with Pell Grant eligibility (currently families earning up to approximately \$60,000 annually qualify for maximum awards). The Internal Revenue Service would administer the credit with Department of Labor oversight for program quality standards. Employers could claim credits for up to 20% of their total workforce in any tax year, preventing large-scale substitution of regular employees with subsidized interns. Quality assurance would require structured learning objectives, regular supervisor evaluations, and post-internship outcome reporting.

Funding and Economic Impact: Based on projected participation of 150,000 students annually at an average credit of \$2,800 per internship, the program would cost approximately \$420 million annually. This investment would be offset by increased tax revenue from higher post-graduation earnings among participants and reduced reliance on unemployment insurance and other social services. Economic modeling suggests every dollar invested in structured internship experiences generates \$2.40 in long-term economic returns through increased earnings and productivity.

3. Federal Work-Study Expansion: "Work-Study Career Innovation Initiative"

The Federal Work-Study program currently serves approximately 600,000 students annually across 3,400 participating institutions, with the program covering up to 75% of student participants' on-campus wages. Research from Columbia University's Community College Research Center shows that one out of every 10 full-time, first-year undergraduates receives FWS support, and more than 33 million students have benefited from the program since its inception (Community College Research Center, 2021). However, the vast majority of work-study positions remain in traditional on-campus roles like library assistance or food service, rather than career-relevant internships that could enhance post-graduation employment prospects.

Policy Recommendation: Enhanced Off-Campus Work-Study Authority: Congress should modify the Higher Education Act to create a dedicated \$250 million annual allocation within Federal Work-Study specifically for off-campus internship placements. This builds on the successful 2019 "Work and Learn" experimental initiative where the Department of Education allowed 190 colleges and universities to use FWS funds for off-campus internships with private employers, with initial evaluations indicating that colleges successfully leveraged this flexibility to create new paid internship opportunities and employer partnerships.

The enhanced program would increase the federal wage subsidy to 90% for off-campus internships (compared to the standard 75% rate), making it financially attractive for employers while reducing institutional matching requirements. Participating institutions would be required to establish dedicated internship coordination staff and develop employer partnership agreements that include structured learning components and performance evaluation protocols. Students would be eligible for transportation and professional development allowances up to \$1,500 per

placement to address barriers faced by low-income students in accessing internships that may require commuting or professional attire.

Quality assurance mechanisms would require internships to align with students' declared academic programs, include faculty supervisor oversight with regular check-ins, and culminate in competency-based assessments. The Department of Education would track long-term outcomes including post-graduation employment rates, starting salaries, and career field alignment to ensure the program effectively bridges academic learning with professional experience.

4. "Pell Grant Career Readiness Enhancement"

Current Pell Grant regulations limit disbursement to traditional academic terms, creating a gap for students who could benefit from summer internship experiences that provide both career preparation and financial support. With maximum Pell Grant awards reaching \$7,395 for the 2024-2025 academic year, enabling year-round access to these funds for structured work-based learning could significantly expand internship accessibility for the nation's most financially needy students.

Policy Recommendation: Year-Round Pell for Career Experiences: The Department of Education should modify existing regulations under 34 CFR 690 to allow year-round Pell Grant disbursement for credit-bearing internship experiences, addressing the current limitation where students cannot receive aid during summer internship periods. This would enable institutions to award up to \$2,000 in additional Pell funding for students completing 120+ hour internships that meet academic credit requirements and include structured learning outcomes.

Institutions would be authorized to create "Career Readiness Credits" worth 1-3 credit hours for supervised internship experiences that align with students' academic programs. These credits

would require faculty oversight, learning objective frameworks, and reflection portfolios demonstrating competency gains. Students would need to maintain satisfactory academic progress standards and complete pre-internship career development coursework to ensure they maximize the learning potential of their experiences.

The program would particularly benefit first-generation college students and community college students who often face the greatest barriers to accessing unpaid internships due to financial constraints. By providing financial support for structured career exploration, the initiative would help students make more informed academic and career decisions while building professional networks and experience. Implementation would begin with a pilot program involving 100 volunteer institutions, expanding based on outcomes and student success metrics including internship completion rates, academic performance, and post-graduation employment outcomes.

Implementation Considerations

Total Annual Investment: \$1.02 billion

- WIOA Enhancement: \$331.8 million
- Career Access Tax Credit: \$420 million
- Work-Study Career Innovation: \$250 million
- Pell Grant Enhancement: \$180 million (estimated 90,000 participating students)

Expected Direct Benefits: These interventions would collectively serve approximately 315,000 additional low-income students annually in paid internship experiences, representing a significant expansion of current capacity. Based on existing program outcomes and labor economics research, participants would earn an average of \$3,400 per internship experience, generating

\$1.07 billion in direct student earnings annually. More importantly, longitudinal studies of similar programs suggest participants experience 18-25% higher starting salaries and 15% lower unemployment rates in the first three years post-graduation.

Long-term Economic Returns: Economic modeling based on existing workforce development program evaluations indicates that every dollar invested in structured internship experiences generates approximately \$2.60 in long-term economic returns through increased lifetime earnings, reduced reliance on social services, and higher tax contributions. Over a 15-year period, these programs would generate an estimated \$15.6 billion in economic benefits, substantially exceeding the initial investment while creating more equitable pathways to career success.

Implementation Challenges and Mitigation Strategies: The success of these recommendations depends on addressing several implementation challenges. Congressional authorization will require bipartisan support, which can be facilitated by emphasizing the economic benefits and workforce development aspects that appeal across party lines. Employer participation, particularly among small and medium enterprises, may require additional support through industry associations and chambers of commerce that can provide technical assistance for internship program development.

Quality control represents a critical challenge, as ensuring internships provide meaningful learning experiences rather than exploitative unpaid labor requires robust oversight mechanisms. This includes mandatory learning outcome standards, regular program audits, and student feedback systems with funding contingent on meeting quality benchmarks. Geographic equity concerns, particularly the risk that rural and economically distressed areas may have fewer internship opportunities, can be addressed through enhanced incentives for employers in

opportunity zones, virtual internship options where appropriate, and transportation subsidies for students willing to access opportunities in regional employment centers.

Impact Assessment

From learning soft skills to upgrading your resume, many post-secondary institutions recommend high school students to pursue internships before deciding their undergraduate major. These short-term experiences, varying from 6 to 8 months, enable students to network with industry professionals, gain work experience, and see if your dream occupation is really the right one for you. Many students have been turning their attention to internships offered by prestigious companies and universities, such as Stanford or NASA, varying on their interests and conditions like venues and finances. However, due to admissions officers receiving thousands of applications per year, the internship's acceptance rates have been pushed to under 5 or 10 percent, depriving students of opportunities that introduce them to the workplace and educate them about their dream job.

To counter this, schools across the United States have enabled students to pursue internships in addition to their academics, setting their students up for success before they receive their high school diploma. Institutions such as the Trinity High School in Ohio have given students placements in companies varying across industries. This is done through their Pre-Professional Internship Program, where students are taught networking skills and administrative software. Through subsidized internship placements, companies send the best students from Trinity High who are ready to learn and gain a competitive edge in their college applications.

Schools in other countries have also been executing similar initiatives, enabling all students to gain work experiences in their field of choice before post-secondary. In particular, many school

boards across Ontario offer Cooperative Education or Co-Op credits to students in Grades 11 and 12, which go towards their Ontario Secondary School Diploma. This program enables students to engage in placements for 1-2 periods daily during the semester they are taking Cooperative Education. In addition, students are assisted in drafting resumes and cover letters when applying to centralized placements like hospitals and clinics, or cold-emailing uncommon institutions such as law firms and corporate companies. Other services that are offered when taking the course are receiving safety certifications such as WHIMIS and others, alongside reflections and interactions with co-op teachers and managers throughout the semester. Special programs are also available for students who wish to go into the Skilled Trades or even into the Canadian Military.

In addition to work experience and lessons learned when at internships, many students have stated that these opportunities have helped to build their soft skills. According to Maansi Nema, a student at the University of Michigan and former AI Intern at Wells Fargo, she learned a variety of soft skills applicable to any industry when in the workplace. Nema discusses 5 tips, which can be broken down into mindset, interactions, and personal feelings. Firstly, she stresses the importance of empathy, as it enables one to be "approachable and easy to talk to" and allowed her to "understand my colleague's perspectives and made me more effective in my role" (Nema, 2025). Secondly, she discusses the importance of communicating with your teammates and to confidently discuss any issues with your team to build trust and improve team relationships. Finally, she talks about how interns must be willing to try things outside their comfort zone, as it can peak new interests, as "you never know which experiences will help you discover new interests or career paths" (Nema, 2025). Exploring new things also leads to change and flexibility, and an intern must possess the confidence to address and conform to these situations to benefit

their team and company. To conclude, internships are valuable for not only their technical skills, but also the soft skills that students pick up from them.

Educational and Professional Development Benefits

Beyond immediate earnings, structured internship experiences provide educational benefits that are particularly valuable for first-generation college students and those from families without extensive professional networks. Research by Hora, Parrott, and Her (2020) demonstrates that high-quality internships enhance educational outcomes and professional development, though these benefits are not equally distributed, students from lower socioeconomic backgrounds often face insufficient mentorship, limited skill-building opportunities, and restricted access to employer networks in existing internship structures.

The professional development benefits are particularly important for students from families without extensive white-collar work experience, as internships provide exposure to workplace norms, professional communication styles, and industry-specific practices that may be taken for granted by students from more privileged backgrounds. This cultural capital transmission function of internships represents a crucial mechanism for reducing inequality in career preparation and early professional success.

Long-term Economic and Social Mobility Impacts

Economic research on the long-term impacts of early career experiences suggests that paid internships can serve as catalysts for sustained economic mobility. Students who complete structured internship experiences demonstrate higher rates of degree completion, faster transition to full-time employment, and greater career satisfaction in longitudinal studies. The wage premium associated with internship experience compounds over time, with participants

showing steeper salary growth trajectories and higher likelihood of advancement to supervisory and management roles within the first decade of their careers.

These individual benefits aggregate to broader economic impacts. Regions with higher rates of internship participation among college students show greater retention of young talent, higher innovation indices, and more dynamic labor markets. By expanding access to these experiences for low-income students, policy interventions can help break cycles of regional economic stagnation while ensuring that talent development and retention are not limited by family financial resources.

The proposed policy framework represents an investment in both individual opportunity and broader economic dynamism, with returns that extend far beyond the initial financial commitment through enhanced productivity, reduced inequality, and stronger pathways to middle-class economic security.

Conclusion

The current internship system perpetuates economic inequality by excluding low-income students from career-building opportunities that their wealthier peers can afford to pursue. This brief's policy recommendations—expanding WIOA funding for paid work experiences, creating targeted tax credits for employers, enhancing Federal Work-Study for off-campus internships, and enabling year-round Pell Grant access for career experiences—collectively address the structural barriers that limit internship access based on financial need rather than merit.

These interventions represent a strategic investment in workforce equity with measurable returns. By serving an additional 315,000 low-income students annually through paid internships,

these policies would generate over \$1 billion in direct student earnings while creating pathways to higher post-graduation employment rates and starting salaries. The \$1.02 billion annual investment would yield long-term economic benefits exceeding \$15 billion over 15 years through increased productivity, reduced social service reliance, and enhanced tax contributions.

Success requires coordinated action across federal agencies, state governments, educational institutions, and private employers. Congress must reauthorize WIOA with enhanced equity provisions, the Department of Education should expand work-study flexibility, and the Treasury should implement targeted tax incentives for internship creation. Educational institutions must integrate career preparation into degree requirements while ensuring financial barriers do not prevent students from accessing these opportunities.

Ultimately, internships should serve as bridges to economic mobility, not gatekeepers that reinforce existing privilege. By treating equitable internship access as a public policy priority, stakeholders can ensure that talent and work ethic, rather than family wealth, determine who benefits from these crucial early career experiences.

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