

Are Unpaid Internships Coming to an End?

by Anthony Caruso on August 23, 2013

In what has raised more questions about the legality of unpaid internships, a lawsuit was recently filed against Sean "Diddy" Combs' Bad Boy Entertainment company by a former unpaid intern demanding compensation for her work.

Former intern Rashida Salaam worked for the music label between January and May 2012, and included menial tasks of answering phones, making deliveries, decorating the office for parties, and grabbing coffee and lunch for workers as her responsibilities. She was also reportedly required to wrap holiday presents for Sean Combs' children. However, in light of recent lawsuits that have sided with unpaid interns seeking compensation for their work, many analysts are wondering if we may be seeing the end of unpaid internships altogether.

A ruling in Manhattan's Federal District Court in early June affirmed that in order for an internship to be considered a true internship - rather than employment - all duties must be "educational," and companies are required to compensate interns if they benefit from the work, Time Magazine recently wrote. These parameters may pave the way for a slew of more class-action suits, a number of which have already been filed against companies such as Fox, Sony, Atlantic Records, and Warner Music.

If so, this may have significant implications for companies and students alike, particularly the latter, which often seek college credit for internships. Changes in the internship classification and laws may have large bearing on which types of jobs and roles college students can take on to receive credit in the future, depending on the extent to which existing wage and labor laws are altered. In addition, should awards be extended to unpaid interns, this may open up new financial and tax issues for student workers, such as whether any compensatory awards will also be subject to FICA and income taxes.