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### **Internships and personnel policy – dispersion and usage of internships in German firms**

About 20 percent of all new job entrants in Germany start working life with an internship. During that time they depend on their parents or on social assistance because internships are poorly paid or not paid at all. Despite the financial aspect it makes sense for new job entrants to take up an internship, because they can improve their employability during the internship period and sometimes have the opportunity to get a job in the firm afterwards.

From the firms' perspective internships help to meet crucial challenges of personnel policy. Internships can be used to screen potential employees in order to obtain information about their qualification level. This is especially important in the service sector because the school-to-work transition is insufficiently institutionalized. In these cases internships are a functional equivalent of apprenticeship contracts.

Internships can increase the pressure on regular employees. In these cases firms can expect higher performance from their workforce. In companies which rely on in-firm cooperation and transfer of knowledge, the need for trust relations limits the extension of non-standard employment. Internships facilitate hiring irrespective of the economic situation because they limit firing costs.

Internships are only poorly paid or not paid at all. So, in comparison to other forms of employment, they are the cheapest. Last but not least they reflect and reinforce the asymmetry of power between capital and labour. The greater the employer's power the larger the concessions of the workforce are.

Using the IAB Establishment Panel, we discovered 600,000 internships in 300,000 firms. One in seven firms in Germany offers internships. At the same time 500,000 temporary agency workers and 600,000 freelancers were employed. 2.1 million people worked on fixed-term contracts and about 3.9 million people as marginal part-time workers.

More than 60 percent of all internships are offered in small or very small firms. The use of internships differs significantly between sectors. They are frequently used in the sale and retail sector, and in social and business services.

In three quarters of all establishments, the proportion of internships to all employees in the firm is lower than 25 percent. In one fifth of all firms the proportion lies between 25 and 50 percent and in only three percent of the firms internships play a major role with more than 50 percent.

Using micro-econometric methods we identified the following correlations:

- Establishments with a large number of graduates and a high demand for personnel frequently provide internships. This is an indication of the screening motive and confirms that internships are mainly offered in the field of qualified work.
- Firms that expect motivation problems offer fewer internships. On the one hand this correlation supports the thesis that trainees choose firms with good working conditions and long-term employment prospects. On the other hand this correlation supports the thesis that internships have a positive influence on the motivation of the workforce. Internships can therefore increase the pressure on regular employees.
- Firms with flexible working time arrangements and a stable core staff are frequent users of internships. Internships are used as an instrument of external flexibility. Under good economic conditions firms use internships to increase their workforce. In bad times firms avoid firing costs with this strategy.
- In regions with high unemployment firms offer more internships than in regions with lower unemployment. This indicates the importance of power asymmetries. When unemployment is high, job entrants make more concessions and even an internship is an option.