# The Interesting Economics of Internships

***Phil Kenkel***
***Bill Fitzwater Cooperative Chair***

As a professor and cooperative specialist, I get to view the internship market from both sides. I talk to students seeking internships and cooperatives seeking interns. As an economist, I see a supply curve showing the number of students willing to take an internship a demand curve showing how many interns the industry is willing to host. In this case, the price is a combination of the monetary and experience value of the internship and the recruiting effort. The happy point, which economist call market equilibrium, is where the number of students seeking internships roughly corresponds with the number of interns that cooperatives, and other firms, want to employ.

You might recall from your econ 101 class that a market can go out of equilibrium when either the supply curve or the demand curve shifts. The interesting thing about the internship market is that the same factor (the tightness of the labor market) shifts both the supply and demand curves for interns but the shifts are in opposite directions. The effects are compounding making it easy for the internship market to stray from that happy place.

When the labor market is tight, students watch their classmates graduate without finding a job. That makes them more likely to seek an internship in an attempt to get a leg up. At the same time, firms have a full pipeline of job applicants and may be operating below full capacity. That causes firms to cut back on internship offerings. A soft labor market quickly results in an excess supply of students seeking internships.

The opposite occurs when the labor market tightens up. Student watch their classmates get multiple job offers and see less necessity of having an internship on their resume. Firms are having difficulty recruiting through other channels and expand their internship efforts. Companies also have a backlog of work and know that they could use an intern productively. The result is fewer students seeking internships, more companies looking for interns and an excess demand for interns.

One take home message from this economics lesson is that year-to-year declines in the number of cooperative interns does not likely reflect any change in attitudes toward cooperative businesses. It is more likely to reflect the fact that internships have shifted from being a buyer's market to a seller's market. Of course, if the excess demand continues, cooperatives and other firms will have to up the ante or be content with fewer interns. The best strategy is to think of an internship program as a long run effort and offer internships year in and year out. In most years, the market will be in that happy place that economists call equilibrium!