

Student Payment Models

There are several elements that determine what payment model works best for you and your organization, like your budget, capacity for administrative oversight, and internship focus. Below is an overview of the three most commonly used payment models. Take a look and see which one is the best fit for your situation.

NOTE: When choosing a payment model, please consider any legal ramifications for your organization. Payment models that don't offer regular wages (such as a stipend) should be carefully reviewed for legal compliance. This page has a helpful overview on how to hire an intern legally:

<https://www.mass.gov/info-details/volunteers-and-interns>

1. **Stipend:** A fixed amount of money given to someone to help cover living expenses while they do work. It's not the same as a regular paycheck, since it's usually not based on hours worked or tasks completed. The goal is to help students afford the opportunity to learn and gain experience, even if the internship doesn't offer a full salary. A stipend can be a good option when the internship is mostly educational, has flexible hours, or takes place in a low-budget setting.
 - a. The **pros** of using a stipend model are that you and the student know exactly how much money the student will receive, there is no need to track the number of hours worked, and it can be more cost effective for your organization.
 - b. The **cons** of a stipend model are that it may work out that the intern is working for less than minimum wage and students may not be able to afford the internship because the stipend doesn't cover their living costs. It's important to make sure the pay is fair and that interns aren't being overworked or underpaid for the value they provide.
2. **Hourly wage:** A set amount of money a person earns for every hour they work. An hourly pay model ensures fairness and legal protection, especially in internships that involve regular job duties and fixed hours. However, it requires more structure and administration, and may limit flexibility. It's best suited for internships that are more job-focused than purely educational.
 - a. The **pros** of using an hourly wage model are that interns are paid for every hour they actually work; they are more motivated to manage their time, be accountable, and stay productive; and this arrangement reflects an authentic structured work experience.
 - b. The **cons** of an hourly wage model are that tracking work hours and managing timesheets requires more administrative oversight; it can be harder to budget the overall cost of the intern; and preceptors must be vigilant that interns do not work so much that they are legally classified as full-time employees (and thus eligible for benefits).

3. **Scholarship:** The student receives a lump sum or set amount of money (often through their school or a partner organization) as a scholarship for participating in the internship, rather than being paid directly as an employee. A scholarship model is best suited for internships that are part of an academic program and focused on education rather than labor. It offers flexibility and can sometimes reduce taxes, but it may lack fair compensation, legal protections, and clear financial support for students with real-world expenses.
 - a. The **pros** of a scholarship model are that it reinforces that the internship is part of the student's learning experience; is easier for public or nonprofit settings where traditional payroll systems may not be available; and may be a more accessible option for international students.
 - b. The **cons** of scholarships are that it's not income that the student can use for their living expenses, and it may not be a model that all organizations can use.

Some less common payment models are:

4. **Project-based pay:** The student is paid a set amount for completing a specific project or deliverable, rather than for hours worked.
5. **Academic credit:** Instead of money, students earn school credit toward their degree.
6. **In-kind compensation:** Instead of money, students receive goods, services, housing, meals, or transportation.