

# **The Economics of Inmate Labor Force Participation**

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**The George Washington University**

**The Center on Crime, Communities & Culture, of The Open Society Institute**

Chapter 6

The Panel

## Introduction

Following their presentations, the five economists were queried by a panel of key stakeholder interests. The panel was designed to identify key applications, extensions, problems, inconsistencies, and unresolved issues affecting inmate labor force participation. Listed alphabetically (and also in their order of appearance), the panelists and their interests were -

- Gus Faucher, U.S. Department of Treasury (Taxpayers)
- Linda Haithcox, National Association for the Advancement of Colored People (NAACP, Minorities)
- Harry Holzer, U.S. Department of Labor (Labor)
- Wendell Primus, Center on Budget and Policy Priorities (Children and Families)
- Steve Schwalb, Federal Prison Industries (FPI)
- Brenda Smith, American University (Women)
- Charles Sullivan, Citizens United for Rehabilitation of Errants (Inmates and Inmate Families)
- Gregory Woodhead, American Federation of Labor and Congress of Industrial Organizations (AFL-CIO)

A scheduled panelist from the U.S. Chamber of Commerce was unable to participate.

The speakers were also joined by Neal H. Rosenthal, Associate Commissioner for the U.S. Department of Labor, Bureau of Labor Statistics (BLS). Mr. Rosenthal introduced the morning session with statistics on the composition of and forecasts for the U.S. labor force. Amy Kaslow, moderator of the symposium, interjects a few questions, and Thomas Petersik, organizer of the symposium, adds two questions at the end.

Each panelist was allotted 10 minutes for query and for interactions with other panel members.

The text below presents the panel as it occurred, minimally edited for clarity. The unedited version is available on the web.

### Biographies

Gus Faucher is a senior economist for labor market issues in the Office of Policy of the U.S. Department of Treasury. The Office of Policy provides general economic analysis on policy issues to senior Treasury staff, including to the Secretary and Deputy Secretary of Treasury.

Linda Haithhcox is Director of Economic Development for the National Association for the Advancement of Colored People (NAACP). Starting in 1981, the NAACP Economic Development Program began turning to the private sector as a foundation for economic advancement of African Americans, with principal objectives of promoting entrepreneurship among African Americans and employment opportunities with private sector companies, including minority vendor programs, aggressive affirmative action, and opportunities for advancement.

Harry J. Holzer is currently Chief Economist at the U.S. Department of Labor. He is on leave from Michigan State University, where he is professor of Economics. His interests include employer hiring practices and the labor market for disadvantaged workers, including at-risk youth and ex-offenders.

Wendell E. Primus is Director of the Income Security Division of the Center on Budget and Policy Priorities, a nonpartisan research and policy institute analyzing government policies, emphasizing effects on low and moderate income people. The Income Security Division researches issues in Social Security, unemployment insurance, income and poverty trends, Federal policies under the 1996 welfare reform, and income assistance and human service programs.

Steve Schwalb is the Assistant Director and Chief Operating Officer of Federal Prison Industries, Inc. FPI is a wholly-owned government corporation of the Federal Bureau of Prisons operating under the trade name UNICOR, primarily as a correctional program teaching marketable work skills by providing job training and useful employment opportunities in diversified work programs for inmates

serving in the Federal Bureau of Prisons. At the end of Fiscal Year 1998, FPI operated 99 factories in 64 prisons and employed over 1,600 staff and 20,200 inmates.

Brenda V. Smith is an Associate Professor at the Washington College of Law at the American University, former Director of the Women in Prison Project of the National Women's Law Center, and author of several publications on women in prison.

Charles Sullivan is Executive Director of CURE (Citizens United for Rehabilitation of Errants), a National prison reform organization with 30 chapters and over 10,000 members. CURE goals are (1) to use prisons only for those who absolutely have to be in them, and (2) to give those who absolutely have to be in them all the opportunities they need to turn their lives around.

Gregory Woodhead is a Senior Economist in the Public Policy Department of the AFL-CIO, a voluntary federation of national and international labor unions representing affiliate unions in the creation and execution of national and international policies. The Public Policy Department provides economic research and analysis supporting AFL-CIO policy positions.

### The Panel

MR. FAUCHER: I am Gus Faucher, an economist at the Treasury Department, specializing in labor market issues. Tom Petersik asked me to give the taxpayer perspective.

There were three points that struck me in this morning's discussions from the papers. The first is at least we think that it is a good idea for inmates to work, particularly that it might reduce recidivism. And Jeff Kling raised the point that it might be interesting to conduct a random experiment and to find out if indeed it does work. As an economist, I would find that an interesting topic. So we think that it is a good idea for inmates to work, both for themselves, but also for society in general.

We are also concerned, however, about unfair competition. We are concerned about subsidies that go to employers of prison labor. And we are concerned about the effect that inmate labor might have on, particularly, low-skilled workers in the economy.

Third, and Richard Freeman and Alan Krueger brought this point up, that we think that inmates are going to have low productivity, which makes a lot of sense. Obviously, if they are committing crimes they probably don't have good labor market opportunities.

They tend to be poorly educated. So we are concerned about what they will be producing.

If we are concerned about unfair competition, we want inmates to earn minimum wage. However we also think that employers probably won't be willing to hire them at the minimum wage. And my question is, what is the interaction there and how do we prevent the unfair competition and yet ensure that these inmates are going to be hired and what is the interaction with minimum wage in prison labor? I think Alan Krueger has done a lot of work on the minimum wage, and I would be particularly interested in hearing his thought on this.

MR. KRUEGER: Thanks. I think that Gus raises a number of important points. On the minimum wage, what I would recommend is that, I think he is right that a number of inmates would have trouble earning minimum wage in prison, in part because of their low human capital and in part because of the circumstances in prison would prevent some types of businesses from operating. You can't run a McDonald's, I presume, in prison.

I don't think that prison labor is for everyone.

And I think that, especially if we take a longer horizon, one would want to try to raise the skills of those people who are in prison. So I would think about ways of trying to raise the human capital of those who are in prison who would earn so little that they couldn't get a job in the labor force anyway after they are out of prison. So I think that is one partial answer for that question.

There are some circumstances, I suppose, where one would entertain permitting a sub-minimum wage. This is, I think, in part why Richard recommended trying to compete with non-American labor, which in many cases is paid less than the American minimum wage. And that is something that I would consider.

But I think as a general policy, one has to worry about inmate labor being exploited since they can't pick and choose their employers, which would make me think very seriously about extending as many of the labor standards as

MR. HOLZER: Thank you. As a representative of the Department of Labor, I was very pleased that all four speakers spoke sympathetically about applying fair labor standards to prison workers. And I believe all four speakers, at least as a broad concept, expressed some interest in the possibility of trying to unionize prison laborers, though I have a little hard time seeing how that might work in reality. But at least as a general principal it was an interesting thought.

I would try to push that consensus toward next steps in terms of specific policy actions. What I think I heard is maybe that all four speakers would favor, on the one hand, relaxing the protections that UNICOR now enjoys, not only to its monopoly status in federal procurement, but also in terms of its ability to pay prison workers, well below minimum wage standards.

At the same time, maybe the speakers would favor some relaxation of the restrictions on private employers in the Prison Industries Enhancement Act, so whether it leaves room there for some trade off, again, of putting more pressure on UNICOR at the same time of some lifting of restrictions in the private sector, all within the context of maintaining labor standards, and is there a sort of practical way of doing that?

The other brief question, what I heard all the speakers saying, that by far the big effect would be on recidivism

of ex-offenders. And what I heard was a subtext of potential for positive externalities [benefits] for the rest of society, which runs a little bit counter to the kind of level-the-playing-field argument that Alan [Krueger], Jeff [Kling], and Steve [Levitt] were making. If you believe that there is a real possible externality, is there, in fact, some reason for government subsidies here to help, or what is the most appropriate form of government subsidy or government investment in these workers to offset any of those disadvantages that they are going to experience in the labor market?

MR. FREEMAN: I thought that Steve [Levitt] put this correctly. He said that some contracts with all the externalities were great, the contracts could very well be the real way to pay you to run a prison industry operation. And I think the same is true of minimum wage, since you are deducting, you will be taking away some money from the people for their room and board, there are a lot of places to cut deals to make subsidies or otherwise make them more competitive. Because I am sure that one could, let's say

the prison labor really was below minimum wage, but we thought there were these big externalities.

We have just two studies that one finds credible on recidivism. One is a pretty big effect, the one Jeff [Kling] mentioned. And then there is a state study that doesn't show these effects. So I think it is absolutely critical, on the government side, to first decide do we really get a big recidivism effect. And the federal prison industry study said just a big effect from trading. It was about the same magnitude as was the effect from the work. So that gets to this human capital thing that Alan [Krueger] mentioned. That looked as effective as did the actual prison inmate thing itself.

So then you want to say well, which one of those two is cheaper to run and which would you have to subsidize less. But given that, I can imagine there are many ways to write contracts here that would enable us to accomplish what we want socially and to provide subsidies to hopefully to the right people to do what we want done.

MR. MARSHALL: It seems to me that there are several problems involved in the assumption that people couldn't earn the minimum wage. One is to compare the whole prison population. You have got a selective workforce in prison industries. So that is not the same population at all. So you have to look at that.



Then the second problem with many of the studies is that they are based on the system as it exists, not the way it could be. So that is the reason I prefer the design project. Let's try some things to see if it can, in fact, work because there is nobody arguing that the present system is as good as it could be, even if you don't believe that it is a horrible system. It certainly could be improved a good bit.

And the concept of balancing competitive forces is fairly well established in trade policy. I mentioned the adverse effect wage rate, and I think we could learn some things from that.

As to what you subsidize, we should have learned a lot from economic development. You subsidize human capital development, not industry. You don't need to subsidize the industry. The subsidy you give the industry doesn't have to pay the full cost of developing the people, but you could negotiate the balancing part of that process.

It is not hard to see how the unionization would work either. One advantage of studying history and of having been around and take part in a good bit of it is that I remember when they told us that government employees could never unionize. And therefore, it would never happen, Franklin Roosevelt said, and should not. You shouldn't

allow, and even though he is reported to have said, "If I were a working American today, the first thing I would do is join a union," he was ready to make an exception for government employees. Today, government employees are unionized. They don't all strike. They don't all have the right to strike.

I would also point out that a careful study of that would be to say what kind of strikes are going on now in the prisons. Even if you don't have a formal strike, you get informal strikes, what industrial nations people call a strike in detail. That is, protest against the system as exists now because you have no other way to have an outlet for your grievances.

I think that it would be useful. That is where I think some comparative work would pay off. It could very well be that you greatly improve the process by giving inmates voice in the formulation of the rules in the industries where they work. I am not talking about organizing, unionizing all prisoners. That is a different matter. But if they are going to be competing with unionized employers in the private sector, it is hard for me to see what the justification is for them not to be able to form unions.

Now, I also learned as a mediator if a word is causing you trouble, drop it. So if union causes trouble,

let's say an inmates council. And then see how you would need to structure that so that it would really be effective. The worst inmates council could very well be a company union. That is to say, something the warden created and picked the people on it to tell him what he wanted to hear. Well, that is not very useful to the warden. It is not useful to improving the performance of the system. The logic to the collective bargaining is that the people who have the problem formulate the rules to deal with it. And that if the parties bring to the table their relative interest and perspectives, you get much better rules than you would get any other ways. And I think that a logical case can be made.

I think it needs to be made voluntary just like it is in the private sector. If inmates saw the needs for an inmates council, they could then participate in it. I think what you have to guard against with a population that is easily exploited is that what appears to be voluntary might be very involuntary. It is like it was when I was in the Navy. They say everybody wants to take out life insurance step forward. Company forward, march! It wasn't voluntary at all. So there are all kinds of ways, and I think that requires that the inmates really have an independent source of power, independent from the system, to make it possible for it to work most effectively.

And as I say, I don't know it can be done, because the other lesson I have learned is that the obvious is often wrong and that you never can tell by deductive logic what will really work. That is the reason I have a preference for the experiments, for actually doing it to see if you can make it work someplace.

MS. HAITHCOX: Good morning. My name is Linda Witherspoon Haithcox. I direct the economic development programs of the NAACP. And before I make my brief comments on the issues that have been discussed here, I would like to at least make a point of saying that I think in these kinds of forums the presenters and the panelists should be reflective of the issue that is at hand. And although the presenters are very educated and very astute economists, I am very curious to know if any of the panel has, in fact, interviewed or been in a prison system, talked with an inmate, and that that is really who needs to be here to discuss the issue. I did not hire them, but I am concerned because certainly representing people of color, representing women, and discussing an issue that impacts our communities more so than others, we need to make sure

that all voices are being heard. So on that note, I will move on and discuss or comment on the presenters' issues.

I would like to commend Mr. Marshall and Mr. Freeman for their models. I agree that there does need to be some standardization. Unionization is a little too far out for me. A little too far out. Everybody can't be part of a union. But I do appreciate that all of the presenters obviously had similar findings, which leads you to believe that there needs to be other research and other studies. And also, the panel should be reflective of Corporate America.

In fact, as you were talking, Mr. Marshall, I thought about the privatization of the prison system, and what impact that would have on profit margins and on the labor force. Let's just take an example that if a company decided to make an investment into a prison system and then were able to utilize that workforce and call them employees, and they could do that, what impact would that have?

One of the other issues and concerns I have is re-entry. That is always the issue in our community. Once inmates are in the process or being prepared for re-entry into their community, the skill, and their skill level or no

level at all in some cases. And we joke a lot and look at the programs like the HBO "Oz". And I was talking with one of the other people in the audience about another HBO series that came on recently about Lorton prison. And that is the real sign of what is going on. We can sit here and talk about all of the tax issues, all the economy and how it impacts the world. The reality is these are people who have to come back into their communities. There is not a manufacturing company in Southeast D.C., on the west side of Chicago, and they have to be prepared to deal with the reality of their life. And that is not a discussion that we like to have, but it is something that is very real. It is something that the NAACP as an organization deals with everyday.

Just a quick question. How many of you in here have had direct family members or someone close to you who have been through a federal or a state prison system. Just raise your hand. Okay. I have to raise my hand too. And it does make a difference, it really does, as to how you address the reality of what is going on in society. Privatization, and I am not trying to change the subject at all, but privatization of prisons is very critical, and labor force.

MR. MARSHALL: I think you raise very good points, and therefore I would like to respond to it. I did talk with prisoners and inmates and read their materials. I had letters from them. My daughter, who wrote her dissertation on this, interviewed a large number of them and she actually worked in the Massachusetts prison system while she was there.

In the kind of work I do, you would never think about designing an intervention or a program without bringing the people to the table who are affected by it. That is the reason I believe in this kind of representative democracy, the most effective things are the people who have programs, have the problems that bring them to the table. And I think there are some good writings by inmates. One that I read in connection with my paper is called, *The Ceiling of America*, written entirely by inmates. And they bring a perspective that nobody else has. I think if you are going to try to design a program, you don't design it entirely from their perspective, because their perspective is narrow and out of focus. They have inadequate information.

Another advantage of the kind of negotiation process is

that everybody comes away with better information than when they went into it. In fact, as a mediator, I have two rules that I always use to start with. The first rule, nobody recommends anything until we agree on the facts. And frequently, if you can get agreement on the facts, you narrow the range of the conflict.

The other good rule of mediation is no blame casting. I don't care why you got the way you are. Let's agree that there is enough blame to go around, that we are all part of a system that has not served us well, and what we ought to be here to talk about is what do we do to fix it and to move forward. And as a mediator, if you can do those things, you can usually get the parties moving in the right direction. But I think you are absolutely right about that who is at the table, and to bring that perspective to balance it with other perspectives.

MR. ROSENTHAL: Well, we are talking about such a small part of the population. I think that is basically what everybody has pointed out, that the numbers of people in prison, when you deal with the total number of people in the economy, is really very, very small. And I think this issue is no different than every other issue that is based in the economy. It is just part of the whole.

MS. HAITHCOX: Just a follow up. People of color are not a small part of the economy. And by far, the inmate population is certainly, there is a disparity in the inmate population in people of color and the economy and the labor force. So we can't pretend like the numbers are so great

and our numbers are so insignificant that we don't need to talk about this in real world numbers.

MR. PRIMUS: For 13 years I had the privilege of working for Dan Rostenkowski, the chairman of the Ways and Means Committee. And one of the comments I will never forget that he said after being incarcerated for about a year, he said we are letting these young black men rot in jail. Meaning we were doing very little to help them become rehabilitated and move into our society.

The perspective that I am bringing to this conversation today is we think we have estimates that about 1.5 million children have one of their parents in jail. And the thing that I have been doing a lot of work in the past year is thinking about how to increase the level of earnings of non-custodial parents in general, their involvement with the child support enforcement program, and how to help those kinds of parents meet their parental responsibilities.

I also am told there is research that says that a prisoner who has a close connection to family and gets a job quickly after leaving the prison is less likely to return. Those are two very important factors.

Having said that, the two questions I have, of



this wage, the minimum wage, how would that be divided as a policy matter, between the prisoner, his children on the outside, the victims, maybe, of the crime, and room and board? How would you determine that policy? I also believe we are a little unrealistic, because we expect welfare mothers to work, that work shouldn't be compulsory here. It can't just be voluntary, at least from a political matter.

The second question is how much of our efforts in this contract that you want to write should be geared toward building the skills, et cetera, of the prisoner, versus a make-work kind of pay situation? How would you write the contract that strikes the appropriate balance, trade off, between those two objectives?

MR. FREEMAN: If I were writing these contracts, I would say to the person of the group, be it a private or governmental group, you are going to be paid in part by how well these prisoners are reintegrated into society, recidivism, their employment because I don't think you can micro-manage this. And certainly economists can't. As one of us said, we are very abstract stuff. I had trouble putting that [projector] button on, and somebody had to tell me to push the yellow thing or the red thing. But I think the contract would have to be that you are putting on to the providers of "the prison services" that they will be paid and there will be more profits for that group, whatever the group was - it could be state or federal or private - on the basis of the outcomes. And the outcome that we want is that these people, in larger numbers, reintegrate in their communities, get jobs and don't recidivate.

I wouldn't dare think of how we can cut up the, say, \$6 an hour. I think that's, we could do experiments, in a sense we could try different ones. Prisoners have to be motivated. You want to give money back to the families, obviously, and the taxpayers have got to get their cut from the lower charge so it is less expensive to house them. But I would let that be determined empirically.

MR. MARSHALL: Let me make a couple comments. One, one of the things economists do and have demonstrated, is that reward systems matter, and that you get what you reward. And that is ordinarily what you would measure. I used to say to my pupils, if you don't want it, don't measure it, because that is what we are going to reward. And it is not hard to establish kind of general principles that you would

create opportunity structures for inmates, for the prisons,  
with the reward system.

Our problem now is that we get what we reward, and what we  
reward is incarceration and a continuation of the

system. We don't reward rehabilitation, reintegration into society, or any of those things that we say.

In my school reform work I have found that you get no brownie points for student learning. You are rewarded for average daily attendance, not student learning. And therefore, in fact, you get a perverse incentive. The more the students learn, the less you get because the quicker they get through. And therefore, a perverse reward system is heavily built into all of our systems, including the criminal justice system.

One of the first things I would do would be to look for the present rewards, the implicit rewards, and see what you are getting for that, and how that perpetuates the system and think if we can conceive of a different set of rewards. One reward that seems to be fairly clear is that if you can't get a job, you go into crime. Well, that is an incentive structure. That is a reward system. So if we don't reward people for working, then we shouldn't be surprised that they then get into crime.

Now, with respect to the voluntary, you raise a very serious point here. Because if this labor is not voluntary, it would be in violation of international law for us to let those goods to be sold in the open market. It violates ILO Convention 105. And, in fact, the AFL CIO has

lodged a complaint with -- I think they have lodged it, they said they were going to -- with ILO that the same, that is the charge we are making against China. That is a fairly well established principle in U.S. trade law, is that you cannot import things in the United States made with forced labor. That was even in the so-called Smoot-Hawley Tariff Act. Which is the way we kept a lot of stuff out of South Africa until they changed their laws to do away with forced labor. The contract that the South African Mine Company signed with their workers was a civil contract with a criminal penalty. And we said until you change that law, none of the stuff produced in South African mines would come into the United States. That caused them to change it faster than prayer did or wishful thinking. And they called a special session and changed their law. So I think that we have to pay pretty close attention to this question of whether it really is voluntary or not. And if it is not going to be voluntary, then we have got a serious problem with working in the open markets.

MR. LEVITT: Just one comment with respect to the compulsory versus voluntary. I think what I would envision is there are educational programs. There is prison work, it is not labor, mopping the floor, things like that. And then there is the prison industry. And one of the ways in which

to make it voluntary in the sense of the welfare mother parallel, is that they are not forced to work, they just don't get welfare anymore if they don't work. So if there is a higher wage for working within the prison, in the industry sector than, say, in the educational sector, now that might be the wrong way. We might want it just the opposite. We might want to pay higher wages to the skill development. But it is a way to make it voluntary and yet, perhaps, politically acceptable, just to give a menu of choices.

MR. PRIMUS: I appreciate Ray Marshall's comment about the voluntary-involuntary. I still have some difficulties that if this dad, typically, has a child support order and he refuses to follow through on that obligation and were making the mother who is, let's say, on the outside basically work, that seems to me a bit inequitable. And I guess I would argue that most of you have ducked the question, I mean, at some point we do have to really decide. Yes, I would like to run experiments, too, to see which would reward the prisoner more. Obviously, if we gave most of it to him, that would be the most reward. But he also has obligations. And the question is how do you really balance that. So I think that you have argued, you ducked the question.

MR. MARSHALL: Well, say we can probably do it better than we do it now. We do it now, don't we, by fiat, you know, by somebody decides. But you don't do any kind of bringing all the people to the table to make the decision.

MR. PRIMUS: I guess the question is how is that being decided. Because the prison officials maybe care about the room and the board, and you have got other institutions that care about the family and the child support. I mean, are all of those, when that decision is made, are they all at the table with an equal voice in terms of how we are going to do this?

MR. MARSHALL: I don't think so. And that is the reason I say I think we can do better than we do. We are doing it now, aren't we? You do make the adoptions. I don't know enough about it, but I do know enough about how these things work, is that, and I would find that out before

I became serious about a policy proposal. You need to take all of these things into consideration. The question I would raise is not whether you do it, but can you improve on the way you are doing it now.

MR. SCHWALB: Thank you. My name is Steve Schwalb. I am the chief operating officer, Federal Prison Industries. And let me, first of all, commend all of the speakers this morning. I want to, at least on my slant and perspective, and perhaps some of my colleagues in the prison industries work in the audience, dispel one myth some of you may be laboring under, and that is that somehow any or all of your suggestions, with perhaps the suggestion of unionizing inmates, that any of the rest of those are necessarily threatening or problematic or that there is resistance on our part to those ideas. We are very intrigued by those, and I think they all make a lot of sense and have a lot of merit.

The overriding consideration from prison administrators and prison industry managers' perspective is to have sufficient work opportunities to not have rampant inmate idleness on your hands, because we all know often the outcomes of idleness. So we are not particularly focused, speaking especially for federal prison industries, on what type of product, what type of wage, what type of market --

all things are on the table as far as we are concerned, as long as it is not just all theory and we have idleness on our hands because none of it works.

I was particularly intrigued by Professor Freeman's suggestion. I would like to hear the reaction of the other economists, especially since he covered it, about the idea of having inmates focus their work opportunities on import-competing commodities. And that is an idea that has intrigued us for some time. Obviously it would take a change of authority and statute.

The question is, is there or should there be viewed as the difference on the impact on the domestic economy of the United States between inmates producing products with low wages and imported products being made by people in foreign countries at low wages and imported? And I ask that question sort of in two parts. One is how do we segregate out the work so that we properly identify that we are, in fact, competing with imports?

Secondly, even if we don't, since there are domestic companies that are competing with imports today, low wage imports, why is it economically attractive from a broad trade perspective to encourage that and it is so important to have inmate labor engaged in the same thing, in many cases, as some of you suggested, wages that are even higher, frankly than are paid in civilian labor rates in foreign countries?

MR. KRUEGER: Let me make an initial response to that. I told Richard before, I liked his suggestion. The way I interpret it is he wants to focus on industries that are, in economic jargon, outside the "Cone of Diversification." And what that means is that industries in the U.S. no longer produce it because our general level of productivity or wages or endowments have brought us to a point where it is more efficient for us to import in those industries. For example, we no longer make TVs, or very few TVs in the United States. If you choose an industry which is outside the cone of diversification -- sounds like something on "Get Smart" -- if you choose an industry where the U.S. is no longer in that business, then as Richard said, the inmate labor is not competing with domestic labor and we don't have these negative implications that we are concerned about. The difficulty is, as a practical standpoint, is much trade takes place within industries, both imports and exports. It is a major puzzle in the field of international trade why so much intra-industry

trade takes place.

You can't just look at an industry and say we only import there, so we will focus on that. And as you pointed



out, if you choose an industry where we have both imports and exports, then I think it has very little difference than choosing an industry where we are by and large producing domestically in terms of the ramifications for the rest of the private sector. I also think that in the long run, there would be a lot of pressure to try to expand this set of industries, to bring it back within the cone of diversification, industries where we are producing. So I think that is a perfectly sensible principle. I don't know how far it takes us in practice.

MR. FREEMAN: I am a little less dubious on how practical it could be because part of this industry thing is the definition of industries in our data. And think of an industry that is 90% imports at this point, shoes. There are 10% American shoe people there. But if we quickly can tell you that they still make Texas boots in Texas, and I can name the American shoe companies still around and the kinds of shoes that they would make in this country. And the vast bulk of the inexpensive, not immediately fashionable shoes are made in Romania, China, a whole set of countries actually that do it. And that is what you would do, in that these are the sets of products outside this cone of diversification. We couldn't even imagine the American industry being able to go simply because our workers are so much more skilled and their wages are so much higher that barring a breakdown of international trade, will never go back to a certain set of industries.

One worries a little bit, apparel. But there, also, where the Americans are producing things, it is in niche parts of the markets. This cone of diversification - Alan is absolutely right - given any definition of industries, we will find some American producers, and so there is a problem. But then if you look a little more deeply, and the reason I picked the Chinese, the largely Chinese-made now, these little plastic toys, I know any, if you do, raise your hand. Has anybody picked up a little plastic toy and seen it say "Made in USA"? A couple of years ago it was made in Taiwan. But the Chinese have a complete market on that type of thing. I can't imagine that ever coming back to the U.S.

So I think we could, indeed, find products. The question, obviously, is could prison-made goods in the U.S. in these areas compete with the foreign products, and that would have to be looked at case by case. And some business-type people are going to have to make some judgments that we hope would be correct. But there are a lot of products there. We are running such a huge trade deficit at this

point, there are many, many products that are outside this cone of diversification.

MR. KRUEGER: One other follow up point I was thinking as Richard was describing this. One of the main reasons for trying to encourage prison labor is to reintegrate people into the community when they leave. And to the extent there are some specific skills that they learn while they are in prison, it would be very difficult if they take a job which is only available in China outside of the prisons. So I think that is another cost of this.

MR. MARSHALL: It seems to me that if you did these other things, I will make two observations to your comments. One is I don't conceive anything that I have recommended as necessarily threatening to prison industry system. I can see where the prison industry system threatens the prisons and the culture of the institution itself. And since I applaud that, I think that it would do the prisons a lot of good to have them subjected to a different set of rewards and a different set of institutional response. But if you do the things to balance the competition, you shouldn't really be concerned that much about what the effects are going to be because you minimize the adverse effects that you could likely have on the society.

But part of the thing that would have to be done then is to take the industries that would have the least effect. And that way, I think, and it is a strategic activity where you are talking about change. The best rule I have ever found is organize your friends and disperse your enemies. And in picking industries, it would be useful to do that. Don't concentrate them in places where you know you are going to organize a lot of opposition to it.

MS. SMITH: Good morning. First, I thought that I was going to have to use Steve Levitt's anecdote because I was so far down the line and I was trying to think of a substitute for Sophia Lauren. One of the things is that this has been very interesting. And I really applaud the efforts of all of the presenters. And this is not generally sort of the dialogue that I hear. I am a professor at American University and I teach in the Civil Practice Clinic. Prior to that, I was a litigator and I sued prisons. And primarily what I sued prisons about was about discrimination against women. One of the things that I would note is that in the analysis that has been presented, the conversations have been primarily about men. There has been very little analysis at all about women. And I think that when we talk about the structural impediments in the prison system, and also the structural

impediments in our community in our world at large, one of the big ones is sex discrimination. For all of you who have gone in prisons, I am sure you have gone in prison industries and seen women, probably not in federal systems as much, but women making underwear and boxer shorts while men are making cabinets, doing metalworking. And so what I would like you to do is take that as a context and talk about whether there is any difference in the social benefits or social costs for women inmates as opposed to men.

The other thing we also need to mention is that there is an impact, I mean, we know that the numbers of women are increasing. We seem to talk about this as a very small population. But when you think about, again in terms of the social cost and the people who are impacted, you are not talking about just those women. You are also talking about children and their families.

Another interesting statistic is that when women are incarcerated, their children, about 76% of them, are cared for by their family members, by their mothers. When men are incarcerated, about 89% of their children are cared

for by the mothers of those children. So there is a tremendous social cost on families that are taking care of those kids and also on single female-headed households who are sort of bearing the brunt of the absence of those prisoners, whether they are male or female, from the community. And so I would like you to talk about that.

And then finally, I was so glad that Wendell raised that question about how do you split the pie. On Wednesday, I was at the Eastern Regional Conference on Enforcement of Child Support. And I was doing a panel on collecting child support from jailed parents. And one of the things that I think is very important here is that we be very clear that as soon as it becomes clear that this is a source of money, that there are going to be all kinds of people lining up. It is not just room and board. It is medical expenses, it is clothing, it is child support, it is victims services. And so in doing that, in having those people lined up, one of the basic assumptions that you have made is that improvement in the system is really going to be about improvement in morale.

People work in order to learn things, to have those relationships that you get from jobs. But I work for money. And that is what most people work for. And so if you have a system where of the \$300 they make they may get 5, aren't you really creating, in some ways, almost a system of peonage where there really is no incentive for people to work?

MR. LEVITT: I will take the first question with respect to women and men. I think given our charge and given that we are economists, what we did was abstract from the 90% of the prison population that is men and we kind of threw out the 10% that is women. And we did all of that independently. But let me talk about it now, let me revisit that.

One key point is that the crimes that women and men are in prison for tend to be different. I don't know the exact numbers, but the number of violent offenders among women is much lower, proportionately, than men. The number of drug-related offenses is much higher for women than men. Also taking that point about the fact that child care is done primarily by women and by the women's family when they are in prison.

The way I would interpret this is to say there is a lot better reason for having men in prison than women because the social costs associated with violent crime are most

likely much higher than those related to drug-related crime. And so in the broader perspective, I would say we maybe should reallocate the prison population to stress more violent offenders, and that would help the side effect of having fewer women inmates.

Now, from the perspective of the social benefits of work, I think the opposite is true, that in fact the social benefits of prison industry would be greater for men than for women, that there is more to be gained by having men not recidivate than women not recidivate. And so it is because men are the worst criminals and men are the ones that aren't supporting their children, that we actually wanted to give them the bigger boost, then we could take it away and give it to the women who are not incarcerated. So, and it is probably not the answer you want to hear, but I think that is, sort of, that is what the economics suggest.

Now, in terms of splitting the pie, again, talking as an economist, it is just not an economic issue. Splitting the pie is somewhat an economic issue just because of incentives. But really it is a political issue. There is a fixed amount of money out there and you want to split it and there are a lot of people who want to get their hands on it. And I don't think that is something that economists necessarily have a lot of intelligence to provide guidance on.

MR. KLING: I will say one other thing about the benefits that might accrue to women, which is that it is really true that there are fewer crimes being committed by people who have participated in inmate labor programs, that the victims of those crimes will tend to be women as well as men. And so there is the potential for them to reach some of those kinds of benefits as well, if that in fact turns out to be true. But that is, as I tried to indicate earlier, something about which we have a shred of suggestive evidence but really need to know a lot more about in order to base policy on something like that.

MR. KRUEGER: I just wanted to say two quick points. One is that the social cost for encouraging more women inmate laborers to work is smaller in that if you look at the spillover effects on the private sector, women tend to be in different occupations and industries in the private sector than men. They are a much smaller proportion of that workforce. So I think some of the social consequences that we talked about earlier, about depressing wages for

less skilled workers would also be smaller.  
Then the other point which Richard Freeman whispered in my ear, and Wendell Primus is probably more familiar with this literature than I am, many of the interventions that have been tried for low income populations, job training and so

forth, seem to be more effective for less skilled women. So for that reason, I wouldn't be surprised if programs such as work while in prison or training more generally have higher payoffs for women than they do for men.

MR. MARSHALL: But this also indicates that they know more about subjects. That is, in doing my quick search for this I found very little on women and differentiating. So it is clear to me that this is an area that if you really work on trying to design an effective program, you would need to know a lot more about it. And we could probably do comparative work, see what they do in other countries. Or in some states, I notice, you have much higher rate of incarceration of women than others. Why? It would be useful to pursue that and see what they do.

Moderator, MS. KASLOW: Most of the answers overlap with your second question, but if you want to re-ask it, perhaps a bit more focused, you will get a more focused answer. And then reiterate your third, because I think we have all forgotten it.

MS. SMITH: Right. I guess one of the things that I would like to do just in terms of clarifying a couple of things is that while women are definitely in, there are smaller numbers of women who are in for violent offenses. We know that women are primarily in for economic offenses, drugs, passing bad checks. And so it seems to me that your



point that the benefits to them of increasing inmate labor will be probably higher. I think that that is also true given that women are slightly better educated, have less behavioral problems in a prison system, and so would have probably a quicker learning curve.

One of the things that I think we have to be clear about is that while we might want to re-engineer the system and sort of redistribute the prison population because it really is of less social value -- and I say this because I am talking in this context -- to have women incarcerated than men, even though I argue that most of the people who are incarcerated, there is not much social cost in having them there because they are primarily drug offenders, that there really isn't a distinction in reality for women as opposed to men. And I think that there are also some very clear things that happen to women as opposed to men in a public policy context that I hope that the economists would take a look at.

So for example, when you have in the welfare reform bill that people who are convicted of felony drug offenses are not eligible for public benefits, this has a much greater impact on women than it does on men. The ban on these inmates getting into public housing if they have a drug offense also will have a greater impact on women than men because they are primarily drug offenders and they are

primarily the people who have care for children.

MR. SULLIVAN: My name is Charlie Sullivan and I direct CURE, Citizens United for Rehabilitation of Errants. And in fact, as Mr. Marshall knows, we met with you before we expanded to a national organization. I guess it has been close to 15 years ago. We started in Texas and we always say if we can survive prison reform in Texas we can survive it anywhere. So we do have an organization of about 12,000 members, most of them all prisoners and their families. We have, I think, state chapters presence in most states.

I would like, if I could, mention people that are missing at the table. And one person who has been my teacher in this issue for many years is not here and I would just like to share with you who he is and encourage you to visit his factories, his inmate work factories in Kansas City. Fred Braun is a wonderful guy. He is also a Republican, and I guess I consider myself a liberal, radical I guess, Democrat. But it is a bipartisan issue. I think there are many people here from all political persuasions. And I think that is very important. We don't have a lot of issues that both the Republicans and Democrats can get on board on. But it has been my experience that it seems to be very, very bipartisan. Fred Braun went to the governor of Kansas and asked what he could do, and the governor, 25 years ago, even before the beginning of PIE programs by the Justice Department, suggested to Fred that he go into the prisons and train prisoners. So he has been doing this for over 25 years. So, in fact, he always says to me, and this is something I think is a great line that you want to use when you talk to middle America, the Kiwanis or whatever, if you really want to punish these guys, and women too, make them taxpayers. And I think that is very important to hammer away at.

Let me say, too, that he also, in his factories, he has the ESOP program, which I think is great. And we have the expert here, Norm Kurland, who is the expert from the council, for Mr. Kelso, worked for him many years and could tell us about it where prisoners actually, and also we are talking about united whatever, but Norm could tell you about this at break or whatever, but employees actually own shares in the company, and that is happening out in his factories.

Fred Braun also has started something for which I serve on his board, it is called the Workmen's Fund, where he will give to small businesses up to \$50,000 to go into the prisons. And so he has really been someone who is not only

an activist but also has a vision. And let me say the final point -- which I think Congressman Scott's aide is here, Bobby Vassar, we had quite a discussion at the break that this issue of minimum wage or prevailing wage is really a bogus issue -- but Fred Braun feels very strongly that the minimum wage is the only thing that is going to get businesses to go into prisons. And basically I think he is saying that by seeking the prevailing wage was killing the good by seeking the perfect.

I realize you are looking at the economic side of this, but the victim impact has really been minimized in today's presentations. And I am talking about not only the impact to victims of violent crimes, but the impact to non-violent crimes. I think it is very, very important. And anyone who has ever had their house broken into or their car or whatever, you never forget it. And I don't think that has been measured today.

And the good side, the benefits of being able to turn a prisoner around and not have that in the future, I think it is just incredible to be able to, you just can't document that. And also, at the same time, I don't think you can document the rehab role models to prisoners, individuals.

Don Taylor was the first chair of our organization and he was chairing, he was in eight jails before the age of 14. He went down to the Texas Department of Corrections three times for drug offenses. When he died two years ago, he was chairing a national advisory committee to legislators. And he did it by going to the LBJ School of Public Affairs, got his Masters Degree in Public Affairs. And I have been encouraging the head of the prison system in Texas to name a program after Don. I think we need role models. We don't, you know, in Texas, of course they are building so many prisons, but they have got to name the ex-governor. Why don't we name it after a successful prisoner, a program, education. And the way Don did it was through education. And we ought to begin to realize that we are looking at this 2 million prison force and we need to, they are looking for role models, people that have made it. And so I don't think that has been mentioned today.

And let me get to my question. My question is education, which Don was involved very much in. That is how he got himself out of this hole. He dug himself out through education. And I just feel, I just heard and read The Lexus and the Olive Tree, which is on the best seller list. I just encourage you to read this book and anybody that reads this book and realizes the importance of how things

have changed since 1989, that we are in a new era. I just do not see how a prisoner today can be educated without access to computers. I just feel very strongly. And I realize there can be abuses. And I know, for example, Steve Schwalb, you probably have had to worry about computers, et cetera, but there has got to be, I think Congressman Cleo Fields ran in Louisiana for governor on a computer in every prison cell. Now, that is what we have got to, and that is going to be a very important issue in all of this because of the security problems. But I still think that they can be taken care of and still prisoners can have access to computers.

Also, when they get out, I think besides being able to have a good job, there is also a move to provide voting rights for them, which Congressman Conyers had introduced. I think that is extremely important. And also there has been a little bit of a move toward doing something about restrictions. Of all things the federal government now has an optional form whereby you can go in and you do not have to put your criminal background there. That will get you into the interview so that that person who is interviewing and sees you is not prejudiced that says this is an ex-con, I am not going hire him, an ex-felon or whatever. They are going to check, certainly. They are going to get to the criminal justice system and access it, but you know that we now have community notification with regard to sex offenders, et cetera. So there are a lot of things that I think we can begin to move away, to remove restrictions with regard to employment. And the federal government in this particular incident by having this optional form where you don't have to put your criminal background down is a first step.

So the question I am getting to is this. How in this day and age is it essential, in your opinion, that prisoners are able to have access to computers, looking at the economy, where we are going, et cetera?

(Moderator) MS. KASLOW: Why don't we broaden that question a bit because you raised so many interesting issues.

MR. SULLIVAN: Well, let me make a further issue. We just eliminated Pell grants for prisoners in 1994. I mentioned to my wife who is here. She said she thought there was too much emphasis on low-skilled workers. They are low-skilled because they don't have access to education. So what I am saying is in regard to the education part of this, the other side of the same coin with work, what is the role of

education in the privatization of prison?

MR MARSHALL: Well, I think the role of education is very important. And I don't think we ought to concentrate on low-skilled jobs at all. I think we ought to concentrate on improving the skills of the workers. And it is very clear to me from my work in education, particularly the Job Corps, for example, which had developed a very effective education system using computers and using teaching machines, that we can move people, if we do it right, if it is based on what we know about how people learn, much faster than we do in ordinary schools. This is a non-traditional learning process, and I would give maximum attention to that in prisons. But I think that time that you spend taking people as far as they can go in whatever time they have got, and you can, with an efficient learning process.

The other experience that we have had with this is that the immediate barrier that you have to overcome in educating people from low wage and low education backgrounds is to convince them that they can, in fact, learn anything and learn it in a hurry because most of these folks have been programmed for failure from birth and don't believe they can learn. So in all these, all of our activities, the first thing that we do is to illustrate the principle that any person can learn and that the only way you can cause them to really believe that is to show them.

Now, I don't know if you know. We have got an experimental program in Ft. O'Connor, Texas using these techniques about what we learn. It is teaching algebra and geometry to the Kindergarten and 1st Graders. They are one-third poor White, one-third poor Black, one-third poor Hispanic, and they are doing very well. I had a Ph.D. mathematician come to work with me, said he didn't believe that they could do that. I said, "Well, be scientific. Go see. And I will tell them you are going to show up one day, you pick your day." And he went into a room, a little five-year old Black girl was working away at something. He said, "What are you doing?" She said, "Well, today I am multiplying fractions." He said, "You can't multiply fractions." And she grabbed her pencil and squinted her eyes and said, "Give me some."

Well, you see, that is a hump that you have to overcome with many of these. It is what my daughter found out in the Massachusetts prison system, and in the Texas prison system. Once you show them that they can, in fact, learn, and we learned that in the Job Corps, then you have to

drive them out of the rooms at midnight, you know, because they get so excited about the fact that they really can do it. And we ought to take the best of what we know about the learning technology and put it into the prisons.

MR. SULLIVAN: The only thing I would say is that I don't think that computers, I think computers, if there are any in prisons right now, they are very few and they are being eliminated every day. And they could be, like you say, self-education, where you could go into the night, teaching yourself, et cetera. And I think we have got to be able to keep those computers in.

MR. MARSHALL: Yes. And what you have to do, though, with any technology, is to have a good theory of it, what is it for and what is your use of it. And if you go in with the wrong theory, you do the wrong thing. The typical assumption is that the purpose of the technology is to replace people. If that is your theory, you lose. If your theory is that the use of the technology is to extend human capabilities, you will win, because that is what it is exactly designed to do, or that is the most effective use of it. And so it is not just the computer, that is the point I would make. We found in the Job Corps case, I think about 95% of the kids, the youngsters in the Job Corps took to the machine learning in a hurry. And it was so different. See, the machines are self-paced, non-judgmental, and color blind. And in our learning systems, all of those things are barriers to learning, is you get judgmental learning. And I can see where a lot that we have learned about the use of the technology in learning and the use of learning processes could be applied, and I would be surprised if it weren't. I think probably, if you did a proper study, you would find some of the most progressive prison systems already doing some of these things. Here or in some other countries.

MR. FREEMAN: Many of the prisoners get their GEDs. That is obviously a big thing. There is a certain amount of education going on. And the numbers that Alan and Jeff put up, it was very implicit. They said high school degrees and GEDs. And the typical non-prisoner got theirs through a high school degree. I don't know what the prisoner break is, but it is going to be very many people getting their GEDs.

There is a problem you raise with the computer, which is generalized from computers. Because gee, if you said to me a computer in every prison cell, I would say wait a minute,

we haven't got a computer on every school desk. And I think there is an issue of the prison thing, I do not think we want generally to provide certain things to prisoners that we are not providing equally to equally low-skilled, disadvantaged people outside who decided even though they didn't get high wages and didn't have a good opportunity they weren't going to commit crimes. So I think that that cuts on other issues as well.

My personal view would be computers are real cheap nowadays and that we would like to see computers everywhere. It would make Bill Gates happier, and we all know, he is a Harvard dropout, proof that you don't have to get too much education to be a success. But maybe there can be some general discussion of this issue of if you are going to provide something for the people in prison that is better than, we have got to make sure that the poor people outside have the same opportunities, et cetera. Otherwise, we set up a funny system.

MR. KRUEGER: Let me comment a little bit on computers. Most of what I do for a living is study the way computers impact the labor market. Over half of all jobs now require some knowledge of computer use. Harry Holzer did a study in inner cities where he found that what employers are looking for by and large or in large part is people who have computer skills, not just executives, but all the way down the line. So I think it is quite an important skill. I don't know if I would say it is essential to get a job, but it certainly helps.

There is a program that a Princeton alum -- the Detweiler Foundation -- started to take obsolete computers, spiff them up, make them faster, and then give them to schools. It is primarily done in California. But one of the things they do is to have inmates do some of the work on the computers, changing the hard drives and so forth. A program like that, expanding it, where the inmates also learn how to repair computers, which is a job that is in demand, as well as have the benefit of the formerly obsolete computers I think is potentially very attractive. It also is different than what you have outside. It is not better. You have more obsolete equipment.

(Moderator) MS. KASLOW: Just that one more general question, was you raised so many issues about preparing would-be workers for the workforce eventually, and computers being, obviously, one tool, but one of many tools. What, in the economists' views, how far should we



be going from public expenditure, private sector investment, various businesses taking this on, who should be supplying the wherewithal for inmates to prepare, to beef up their workforce preparedness? I mean, are we talking about donations of technology, are we talking about donations of time, expertise, mentoring, apprenticeships? We have heard a lot of things mentioned today. The Job Corps example is a splendid one. What are the nuts and bolts of this in terms of, what do you think? It is an open question.

MR. MARSHALL: Well, I would say all of the above. Whatever. And different industries will have different motives for making the equipment available. We find that in most of our employment training programs now, that you have to use some combination of public funds to make this available to people.

But I would say a good way to explore it, I don't know enough about it to know where this would come out, but those people who benefit most from prison industry ought to have some obligation to help reintegrate the ex-offenders

into society, including training, education. That might, if you were putting together this bid process, which I think has a lot of merit, you would put that down as one of the things that you were expected to do if you were going to be involved in this industry, to help give people the kinds of education and training they need to make it in society.

MR. WOODHEAD: Well, after all the speakers, I kind of feel like the eighth prospective husband, especially after Charlie's presentation, so many provocative ideas. It is going to be difficult keeping it interesting. My name is Greg Woodhead. I work at the Department of Public Policy at the AFL CIO, and we try to fashion policy in the interest of working families in America. We are the voice of working families and we are especially the voice of organized labor.

We represent free labor. We represent the service sector and manufacturing workers in the private sector, and we also represent the public sector workers who work in correctional industries, both at the federal level and at the state level. We have AFGE and we have AFSME, very important representation. And so we have to balance the interests of our federated union members to craft policy that is beneficial for our members and also beneficial for prisoners.

One thing that we have come to find out from

looking at this issue very carefully is that there is really no simple answer to this problem. It is a complex problem. It is a difficult problem. It does need more study. I can suggest a few areas. I think we need more longitudinal studies of the effects on employment and re-employment, not just on the effects of reducing recidivism, because I think in Ray Marshall's paper there was an interesting study from Ohio that indicated that the rates dropped among Black inmates released from 36% to 26%, but a good controlled study showed that the rates did not drop at all amongst White prisoners. So I think more of these studies need to be done.

I think we need to look more carefully at joint apprenticeship programs. We have to look at the possibility of teaching entrepreneurship to prisoners. Why should they only be relegated only to working on the outside for somebody else? Teach them how to support themselves in the private sector. This is where job creation is.

And I think we need to study more carefully what is going on in the state prison industry programs that may, in fact, be selling goods across state lines in direct violation of federal law and not be enrolled or participating in an established PIE program.

Having said all that, I think we have a task ahead of us to find out what is going on right now, and maybe craft some policies to work to the benefit of prisoners while protecting free labor and protecting the safety of correctional officers inside the prisons.

I would commend you to Ray Marshall's paper. When Ray Marshall says he doesn't really know that much about prison industry, it reminds me of Sam Irving, Senator Irving, saying he doesn't know that much, he is just a country lawyer. I think Ray Marshall's paper really fairly characterizes free labor's position on this issue and he spells out what happened in the Iowa system, when, in fact, the issue of apprenticeship and placing released prisoners into private jobs was debated in union halls. And those union members came to accept these graduates of apprentice programs, which are very highly valued amongst union members. So it can be done. And I think this is a program that should be expanded.

The AFL CIO is, however, very concerned about the potential expansion of prison labor. After all, we did lose 400,000 manufacturing jobs in the United States in the last year alone. In that context, that economic context, being a

manufacturing worker and being asked to compete with expanding prison industries is not a good prospect. At the same time, we always have to be concerned with guard safety, because we know that prison work is good and prison work provides for guard safety.

I will make a couple of observations about the panelists' presentations. At the macro-level, yes, the size of prison industries is not overwhelming relative to the size of the GDP. But at the micro-level the dislocation can be devastating, especially if you can make a direct link, like a case in Wisconsin with fabric gloves where a private factory closed and a company ramped up production inside the prison walls. So free labor was directly impacted. Those cases are not good, especially if you are in a rural area and your job prospects are not very good and you have seniority in manufacturing and the transition to whatever jobs are available is going to be very difficult. We have real problems with privatization of prisons. The inability to organize those privately run prisons, the abuses, the potential abuse is well-documented in television programs. That can be very problematic. I am also concerned about just the notion of bidding out prisoners to private companies. That just has a connotation to it that is just disturbing if you follow through with the implications of that.

Prevailing wages can be paid to prisoners. The PIE program shows that. Maybe we have to have some imputed wage to level the playing field somewhere between prevailing wage and minimum wage. But we can't just say that the minimum wage is enough and we just, that is the cap on

wages.

If any of you are interested in the latest position of the AFL CIO with regard to prison industries, I have those papers available if you give me a card sometime when we are, in the afternoon --

MS. KASLOW: Greg, why don't you pose a question to the panel? Do you have a question for the panel economists?

MR. ROSENTHAL: I think that Greg brought up something that maybe I can chastize my economist friends here. Most of the models that they have been talking about in terms of prison work has been on manufacturing, manufacturing little things that are made in China, shoes, industries that are leaving the United States. It has all been on manufacturing, which economists tend to do in terms of their economic models.

A very small percent, or not a very small percent, but a smaller percent each year of our economy is associated with manufacturing. And a large percent, as I showed in my numbers, is outside manufacturing. Many of those jobs can be done, are done, off the work site, especially using computers. There are a lot of things that can be done which don't focus on one industry.

You get into one industry, it is the type of thing that Greg was bringing up, somebody is going to get upset, you are on my turf. But if you can get some type of work that spreads around, that is in a lot of industries, you don't have that one focus getting in some type of work that can be done everywhere. And I think maybe the welfare reform, the type of success of the program is something that deals with it. It is low skill level jobs because of the educational background of the individuals, yet it is spread out into lots of different jobs all over the country and has been successful because they exist all over the country as you see in the numbers.

And if that type of thing can be done, it has to be done off the work site, obviously, in many cases. All of the jobs don't get there. But computers is one. It has the educational value. 50% of the workers or perhaps even more -- I would bet you 90% or more of the people in this room have a computer at their desk. And that is, it gets into more and more different jobs. It gets to the education

for higher level jobs, and I think that is something we have to consider. It is not just focusing on one industry, but on something that cuts across.

MR. KRUEGER: I am just curious if the AFL-CIO had a position on what Ray Marshall called inmate councils or unions for inmates.

MR. SULLIVAN: Company unions are bad idea in any form.

MR. KRUEGER: I think Ray would agree.

MR. SULLIVAN: I think it would be better served to look very carefully at these joint apprenticeship programs, because we are very much interested in what happens to prisoners upon release. And this is a real source of union membership and it is a real source of stable jobs, good paying jobs with benefits, union jobs. So I like that idea, but I don't like the idea of company unions.

MR. MARSHALL: But I will remind you, a lot of unions started out as company unions. That is another advantage of looking at the history. Communications Workers used to be a company union. Steel Workers used to be a company union. And the first stage in the development of many unions was initially the workers had some way to represent their interest in the workplace. Then they saw they needed an independent source of power. And I think

that is the natural history of it. There is a natural history that it is hard to have a long range collaborative relationship between parties with unequal power. So as soon as it works, so long as you didn't deal with any important issue with the company unions. And as soon as they got to tough issues, like whether we have a wage cut, it fell apart and then they went and got steel workers or communications workers, they organized an independent union.

MR. PRIMUS: Can I make one more comment on a question? And that is back to my issue of child support. I think, since I have probably prison officials in the room, one of the things that happens lots of times when these dads become incarcerated is that the child support order isn't changed. And so a year, two or three years after, when they get out, they have an arrearage of five, ten thousand dollars. And then, I know of one situation in Colorado, they have that arrearage, they have their normal child support order, then they also have a payment to the victims, and so, and then they have the federal income tax, and they typically, because their children don't reside with them, don't get the EITC or any other kind of wage subsidy. Their net wage, after leaving prison, assuming they get a job, is very, very small. And I think we have got to be concerned about these different institutions being better coordinated.



I have come to the conclusion again from this, my efforts on non-custodial parents, is that for many of the men coming out of prison, we may need a bridge job, a publicly funded job, to ease the transition, if you will, given that they have got a conviction, et cetera, into the paid labor force. I know, Secretary Marshall, you talked about publicly funded jobs in the late-80s. What about that idea, again, to help bridge the transition into, and help them meet their parental responsibilities?

MR. MARSHALL: I believe that there is an important role to be played for publicly funded jobs. In fact, a lot of jobs are publicly funded that are called private jobs, like the construction industry. But I think the best approach is to have an array of policies available so that if you are unable to find bridge jobs in the private sector, then it might make some sense to have a public service job doing useful things.

Our experience with the public service jobs actually has been pretty good, in spite of all of the rhetoric about it. Most of the evaluations showed that they did what they were supposed to do. And I believe it is important to have the bridge process that would make it possible for people to get work.

But the first preference would be to get private jobs, that is, to get a job that would lead somewhere. And I think we ought to concentrate on that. But then if you are unable to that, then I think the public job makes sense.

MR. WOODHEAD: We start down a slippery slope on that argument because there is unemployment now in the free world. That means we are going to have prisoners employed. I mean, where does that stop? Drug treatment, there is need for drug treatment in the free world. That means prisoners don't qualify for drug treatment. I think you start going down that line, you are going to end up with an idle workforce with all kinds of behavioral problems that we are not going to address because we are not addressing these in the free world.

But if, like the data shows, if they come out, these particular individuals, and commit two violent offenses, and I think they said ten non-violent offenses, I think society in its self-interest ought to be focusing in on their problems, just from a self-interest. I think the Pell grant argument, removing them, was used, that argument was a very, very strong argument and they took them out

because of that.

MR. FREEMAN: Yes, I would, I mean, the Pell grants, any normal thing that society is offering to citizens you don't want to see removed. The right to vote is a very interesting one because now they are back as citizens and you would like to give them the right to vote. You are back and you are part of the body politic and part of the nation.

MR. WOODHEAD: And that is, and getting back to international law, that is Article 25 of U.N. Declaration of Human Rights, says that there should be universal suffrage throughout the world. And so, I mean, I think that issue, there are four states that do allow prisoners to vote.

MR. FREEMAN: Yes, but let me put your thinking another way. I can see all the economists here agreeing that if we gave them a \$25,000 check in two years for not committing crimes, that that would pay off if they didn't commit crimes. But now there is no way that would ever be approved in the country, and it would, you know, because there are other equally, no, more deserving folks, including the victims. So there is a balancing act, I think, that has got to be done. It has got to be done carefully and cautiously.

I was thinking when you did the computer thing, telemarketing. That could be done inside prisons, and is done in some prisons. And that requires some, et cetera. We could do other computer jobs using the internet that prisoners could do that would not, the opposite of, you

know, non-manufacturing. There are all sorts of things. But I think they all have to be careful. I have a friend that runs a telemarketing firm. He might be upset if you tell him the local prisoners are going to be doing it unless we establish all the kinds of things that Steve had so that it becomes a fair competition and doesn't adversely effect the current people who are doing the telemarketing who also will tend to be low educated folk.

MR. SULLIVAN: But I think that argument, I disagree very much with that approach.

MR. PETERSIK: I am going to ask two really quick questions. The first one is just a clarifying question. When you all talk about participation in unions, do you mean, in a sense, company unions or unions of inmates, or were you primarily talking about being members of unions which also exist beyond the walls?

MR. LEVITT: I think I was thinking of unions beyond the walls. But I am open-minded about it.

MR. MARSHALL: Yes, I was, too. And I would say that just as there are degrees of representation of workers now, the workers at Saturn have much different kinds of powers than the workers in a regular General Motors plant, and therefore it is possible to think about an array of ways for workers to be represented. I would say that the essential ingredient, if it is going to be successful over the long haul pull, is that whatever you call the organization that represents the inmates, that it has to have some independent source of power, independent from the system, just like the company unions didn't work because they didn't have an independent source of power, didn't even work for the companies in the long run.

So I think it is possible to design a system so that you would have degrees of representation just like we have in the public sector now. And it would be a voluntary system. I think it ought to be that if they want to have it and see that it has a role. We develop a system to make that possible. Another part of the system that I would think would be beneficial to everybody involved is an alternative dispute settlement process that would avoid litigation, or at least minimize litigation.

MR. FREEMAN: Yes. It is a question for people who know more than I do because the obvious easy way to deal

with this is to say something like there is a pretty good prisoner or set of prisoners. They come work in a normal workplace with free labor. They are paid the going rate. It is the unionized workplace. Fine, they join the union. If it is not a unionized place, they have the same right to form a union as other people.

But the question is, to what extent do we have through various work release programs prisoners working in normal, free settings and then going back to prison at night. Is that common, frequent, or totally rare? Could somebody enlighten me, please?

MR. WOODHEAD: It is extraordinarily rare, I believe. I mean, if you are not counting work release.

MS. SMITH: He is counting work release. I think that is pretty standard, though. I think that depending on what kinds of incidents you have had, like you have had a major incident where someone who is out on work release went out and committed some offense, I mean, those programs either expand or constrict depending on what has happened in terms of the public opinion. But that is fairly routine. I think that it is an interesting question because

I know, for example, for inmates who work in prison industries, they, of course, are not considered as employees for purposes of discrimination laws or whatever. I think that is an interesting question about whether if somebody were on a work release program and they went out and they were working whether they could join a union. And I wouldn't be surprised if there were some restrictions in terms of the department in terms of whether they could do that.

MR. SCHWALB: From the practical standpoint of a prison manager, I don't think we care what job the prisoner has on work release, what they make, and who they are affiliated with. The reality is at the county and state level is where you see most of that, because the only people that feel comfortable enough from a public safety perspective, or the judge feels comfortable enough in terms of sanctioning options at sentencing, even putting in on work release, are people who are usually misdemeanors serving relatively short periods of time. So as soon as you have a population, like at the federal system, which is 100% felons, it is really not an option. But I don't see why from a prisoner manager standpoint, it would make any difference what they were affiliated with, doing on the outside, as long as it was legal.