

Executive Summary

The Economics of Inmate Labor Force Participation

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On May 21, 1999 at the National Symposium on “The Economics of Inmate Labor Force Participation,” five prominent U.S. economists provided introductory opinions on: (1) whether inmates participating in the labor force would be good or bad for the U.S. economy, (2) what would happen to civilian labor if inmates were to participate, and (3) their recommendations for U.S. inmate labor force policies.

Although reading each economist’s opinion is necessary to gain a full appreciation of their conclusions, there was general agreement that -

- **Inmate labor force participation would be *good* for the U.S. economy because it would increase the Nation’s output of goods and services.** Inmate employment would increase Gross Domestic Product (GDP) and be generally good for consumers, business, government and taxpayers. Inmate participation would have special significance for compensated victims, prisoners, and prisoners’ children and families. However, the overall *economic gain would likely be small*, because the inmate population is a small percentage of the U.S. workforce and inmates are, on average, less productive than the overall labor force. According to the economists, the increase in Gross Domestic Product (GDP) would likely be small, equaling much less than 1 percent of GDP.
- **The greatest social and economic benefit from inmate labor force participation would likely come from reduced *future* crime and recidivism resulting from the improved post-release behavior of offenders.** The magnitude of this benefit is uncertain. Moreover, in the event that lower incomes for low-wage civilians resulted in additional crime, the possibility of net harmful effects could not be excluded.
- **Inmate labor force participation would have little or no discernible effect on U.S. civilian labor overall, but might slightly reduce the wage rate and employment levels for low-wage civilian workers.** But because inmates disproportionately come from lower-income populations, losses to low-wage civilians might be offset (to an

unknown degree) by reduced crime and the positive income benefits to these same populations from inmate employment.

- ***Policy Recommendations:*** The roots of inefficiencies in current inmate labor and prison industries are: (1) the absence of a free market; and (2) rules favoring government-owned prison industries. Therefore, public policies in inmate labor and prison industries should introduce the free market and use the same rules for prison industries as for private industry competitors. Specifically, the economists generally recommended -

1. **Privatize prison industries or remove all competitive advantages of government-owned prison industries, particularly--**
 - Eliminate preference in sale to government markets
 - Use open-market bidding for use of the inmate labor force
2. **Apply the same standards for inmates as for civilian labor, including--**
 - Identical wage standards, including application of the Federal minimum wage
 - Identical application of civilian labor law, including the Fair Labor Standards Act, Workers Compensation, and health and safety standards.
3. **Allow inmates to join unions** or an alternative form of organization, to provide some representation in bargaining employment and terms
4. **Invest in raising inmate productivity** with access to training, education, counseling, and treatment

In addition, each economist offered additional comments. Ray Marshall emphasized the importance of recognizing the historical context of stakeholders and issues. Alan Krueger, Jeff Kling, and Steven Levitt recognized the possibility of subsidizing inmate labor if social benefits (such as crime reduction or reduced costs of prison operation) exceeded private benefits. Richard Freeman offered the alternative of inmates recapturing jobs previously lost to foreign firms, noting the possibility of inducing crime if low-wage domestic civilian labor were severely harmed.

Afternoon discussion groups allowed participants and speakers to explore issues in more detail. In general, participants found existing evidence on the benefits or costs of inmate employment to be lacking and less than convincing. Therefore, their recommendations for action focused on learning and research:

- Both the *measurement* of recidivism effects of inmate employment and the *explanation* of the components of employment reducing recidivism need much more research
- The social processes of adjustment, including via education, need additional research

- Demonstration programs are sorely needed, in education and training, in employment, and in transition and community integration.
- Effects of inmate unemployment and employment on children, families, and family reintegration after release badly need research attention.

The economists' opinions are also available on www.correction.org