

BRIEF ANALYSIS

No. 245

For immediate release:

Monday, November 17, 1997

The Economic Impact of Prison Labor

The unemployment rate stands at 4.7 percent, the lowest since the Vietnam war. Employers looking for workers are finding that the supply of labor, even unskilled labor, is tight. As a result, Federal Reserve Board chief Alan Greenspan is worried about rising wages reigniting inflation.

However, more than a million Americans who could work — in fact, desperately need the skills that come only from real work — remain unproductive. These are our nation's prisoners.

It makes little sense for society to deny a person the opportunity to work and engage in productive labor just because he or she committed a crime. When idle prisoners are given the opportunity to engage in productive labor that pays a wage, they line up for it. Such work saves taxpayers money and adds to the economy. Unfortunately, too many state and federal laws stand in the way.

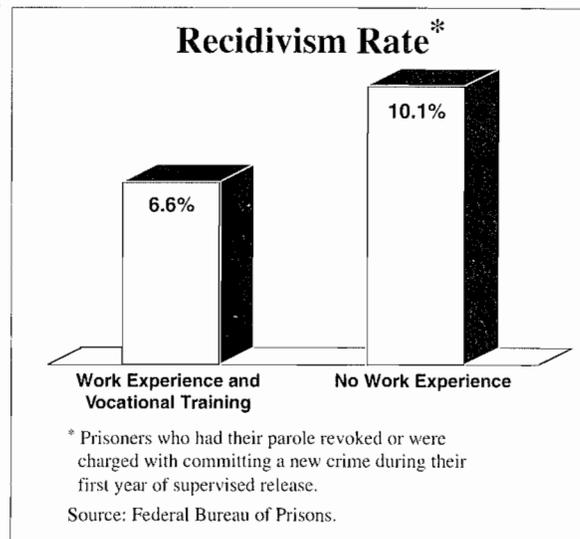
The Growth in the Prison Population. The cost of operating the nation's prisons is soaring, along with the number of people in prisons.

- Since 1980 the state and federal prison population has increased from 316,000 to 1.2 million, and by the year 2002 the inmate population is expected to increase by another 400,000.
- Taxpayers are currently spending between \$20,000 and \$25,000 per year to house each of these criminals.
- The expense has reached about \$30 billion, or \$300 a year for every household in America.

The Decline of Prisoner Work. Yet, despite a long-standing consensus in favor of gainful employment for convicts, idleness remains the norm behind bars. Perhaps half of all prisoners do some kind of work, counting housework (maintenance chores) and vocational training programs in the prisons. However, most of these jobs are part-time and produce no income for room and board, restitution and other ends.

Things used to be different. In 1885 three-fourths of U.S. prison inmates were involved in productive labor, with the majority working under prison contract and leasing arrangements with private employers. However, as a result of the gradual adoption of federal and state regulations promoted by prisoner rights groups, organized labor and employers fearing competition, prison work declined dramatically. A 1994 survey of 46 correctional systems in the United States and seven in Canada found that only 9.4 percent of female and 7.75 percent of male inmates worked at jobs other than housekeeping and maintenance.

How Many Prisoners Could Be Employed? Skeptics of welfare reform argued that only a small percentage of welfare recipients could be gainfully employed. But once states got the welfare-to-work incentives right, welfare recipients went to work in droves, cutting welfare caseloads by 60 percent in some states and up to 80 percent in some Wisconsin counties. Prison work can achieve similar successes.



Skeptics of welfare reform argued that only a small percentage of welfare recipients could be gainfully employed. But once states got the welfare-to-work incentives right, welfare recipients went to work in droves, cutting welfare caseloads by 60 percent in some states and up to 80 percent in some Wisconsin counties. Prison work can achieve similar successes.

In a survey by the Prison Enterprise Institute, prison industry managers frequently mentioned 25 percent of prisoners as a desired target for employment. But putting a major-

ity of prisoners — who are generally young, healthy and able-bodied — to work is a reachable goal.

Since prisoners have relatively little else to do, what could we reasonably expect under an aggressive expansion of private production by prisoners?

- A full-time job means about 2,000 hours of work per year (40 hours per week times 50 weeks).
- At an average wage of \$7.00 an hour, inmates could average \$14,000 in gross earnings per year.

The Impact of Prison Labor on Taxpayers. At present 80 percent of the income earned by prisoners who work is customarily used to reduce the financial burden on taxpayers and for victim compensation. Thus about \$11,000 per prison worker would be available. The remainder could help prisoners' families, pay personal expenses and be set aside as savings for use after release.

BRIEF ANALYSIS

No. 245

Page 2

Over the next five years, the prison population is projected to increase to 1.6 million. If half of the prisoners could be employed by private enterprise during that time, their work would reduce taxpayer costs by almost \$9 billion per year, or about 25 percent of the total cost of prison support.

The Impact of Prison Labor on Recidivism. One of the most important benefits of prisoner work is that it reduces the recidivism rate. A federal Post-Release Employment Project (PREP) study confirms that employed prisoners do better than those who do not work.

After release to halfway houses, participants in the PREP study were 24 percent more likely to get a full-time or day labor job than those who had not worked in prison. Those who had worked in prison also earned more than those who had not and were more likely to move on to a better-paying job.

- Only 6.6 percent of those who worked in prison had their parole revoked or were charged with committing a new crime during their first year of supervised release. [See the figure.]
- The recidivism rate was more than 50 percent higher for the group who had not worked in prison.

Most participants in a follow-up to the PREP study had been released for at least eight years and some for as long as 12 years. Prison work and training programs seem to have been especially effective in reducing the likelihood of recidivism in the long term.

The Impact of Prison Labor on the Economy. Prisoner work has two direct economic benefits for the economy. First, prison industries must purchase materials from businesses outside the prison, thus creating a demand for the services of other workers. For example:

- Prisoners involved in information services such as travel reservations, telemarketing and data entry need computers for their jobs.
- Those involved in manufacturing require sheet metal, cloth and other raw materials.
- Others involved in assembly jobs rely on manufactured goods such as electronic circuit boards, cables and cable harnesses.

Second, prisoners have the potential to produce valuable goods and services consumers want to buy. Prison industries produced more than \$1 billion worth of goods and services in 1994, mostly for other government agencies. However, since prison industry is usually state run rather than privately run, the output is often shoddy,

overpriced merchandise that other state agencies must buy from the prison industry monopoly. The largest prison supplier was the Federal Bureau of Prisons with \$433 million in output for federal agencies, yet the system employed only 16,000 inmates out of 61,000 inmates eligible to work (i.e., those not in solitary confinement, considered dangerous or being transferred) from its total of 85,000 inmates.

Though any type of productive prison work is good, private enterprise would make it even better, and given more latitude in creating prison industry it could achieve dramatic results. For example, in 1923, when the private sector still played a significant role in prisoner employment, productivity was four times greater under private than under public control, even when the same industries were compared.

Consider a prisoner who is earning \$14,000 per year. His productivity adds to the economy just as does that of a noninstitutionalized person. If 800,000 prisoners worked — a labor force equal to those of Wyoming, Alaska and Vermont combined — their productivity would add more than \$20 billion to the economy.

Wouldn't Prison Labor Steal Private-Sector Jobs? Quite the contrary. Once at work, the prisoner is a job creator, on balance, because prison production requires new purchases from free-world businesses. That means jobs and higher real wages in the rest of the economy.

Everyone recognizes that getting able-bodied adults off welfare and into productive jobs is a social boon, and we have been willing to subsidize that transition from welfare to work. The same thing should be true for prison labor.

While some are concerned that wages in prison would be below market wages, thereby robbing jobs from regular workers, in a competitive marketplace wages reflect productivity. Prison wages are typically lower because prison labor is less productive.

Conclusion. Just because a person is sent to prison does not mean he should forfeit the opportunity of being employed. To the contrary, criminals need the training, skills, discipline and self-respect that come with meaningful work. Giving them that opportunity would not only help them, it would help society.

This Brief Analysis was prepared by Morgan O. Reynolds, Director of the Criminal Justice Center at the NCPA and professor of economics at Texas A&M University.