

Executive Summary

The Economics of Inmate Labor Force Participation

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At the *National Symposium on the Economics of Inmate Labor Force Participation* in May 1999, five prominent U.S. economists presented expert opinions on whether inmate participation in the labor force would be positive or negative for the U.S. economy, and the nature of the impact participation would have on civilian labor. The experts also offered 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, inmates, and inmates' children and families. But the experts noted that the overall economic benefits would likely be small because the inmate population represents such a small percentage of the U.S. workforce and inmates are, on average, less productive than their free world counterparts. According to the economists, the increase in Gross Domestic Product (GDP) would likely represent less than 1 percent.
- **The greatest social and economic benefits 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 income benefits from inmate employment.

According to the experts, the roots of inefficiencies in current inmate labor and prison industries are the absence of a free market and 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.

Recommendations. The economists generally recommended:

1. **Privatize prison industries or remove all competitive advantages of government-owned prison industries--**
 - Eliminate preference in sale to government markets
 - Use open-market bidding for use of the inmate labor force
2. **Apply the same standards to inmates as for civilian labor--**
 - 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 negotiating their terms of employment
4. **Invest in raising inmate productivity** through training, education, counseling, and treatment

In addition to the preceding consensus items, each economist offered some individual comments. **Ray Marshall** (former Secretary of Labor and currently a professor at the University of Texas) emphasized the importance of recognizing the historical context of stakeholders and issues. **Richard Freeman** (Harvard University) suggested that inmates could be used to recapture jobs that have been lost to foreign nations, noting the possibility of inducing crime if low-wage domestic civilian labor were severely harmed. **Alan Krueger and Jeff Kling** (Princeton University) were joined by **Steven Levitt** (University of Chicago) in suggesting the possibility of subsidizing inmate labor if social benefits--such as crime reduction or reduced costs of prison operation--exceeded private benefits.

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. Their **recommendations for action** focused on **research**:

- *Measurement* of recidivism effects of inmate employment and *examination* of the elements of employment that reduce recidivism
- *Examination* of the social processes of adjustment that contribute to success after release, including education
- *Demonstration* programs in the areas of education, training, employment, and transition and community integration
- Effects of inmate unemployment and employment on *children, families, and family* reintegration after release

For more information on the Symposium and the expert opinions, contact:

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