

# Incarceration, Employment and Public Policy

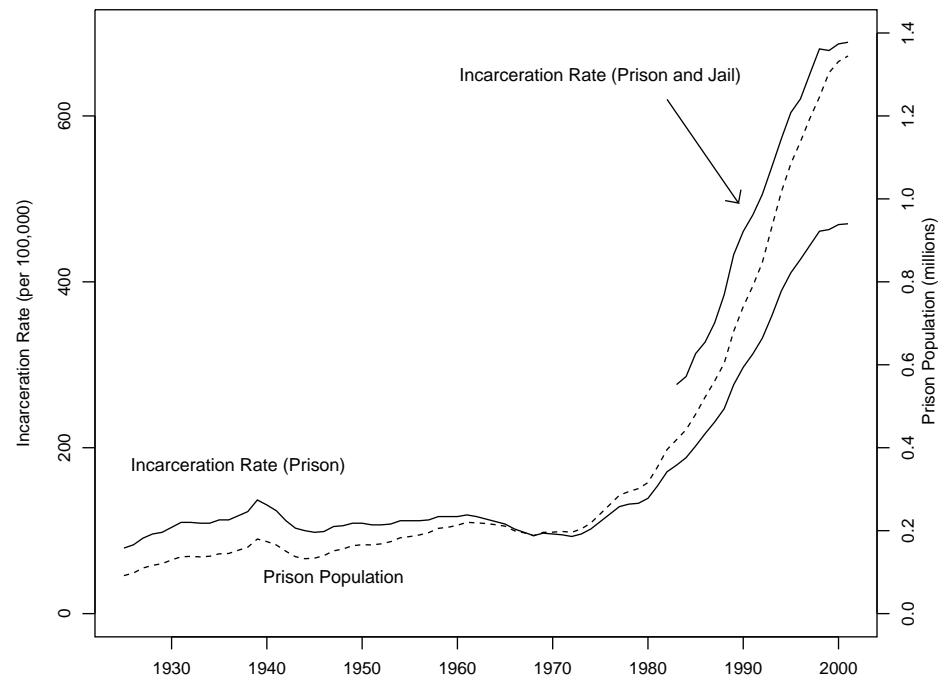
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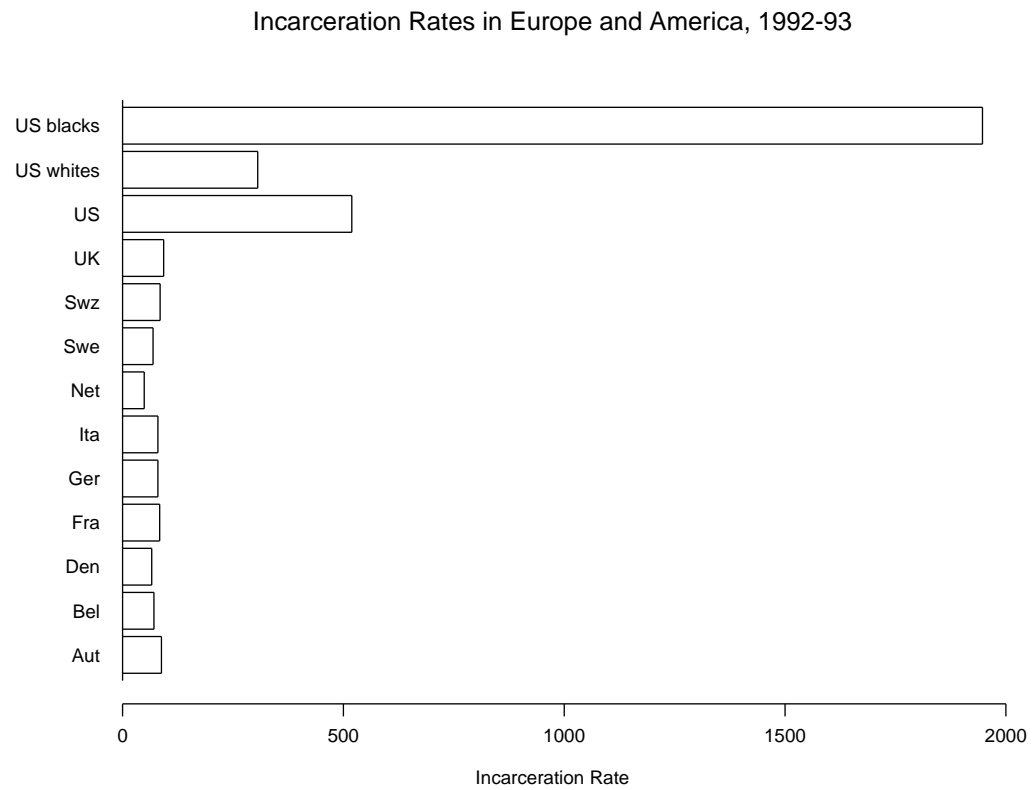
# Incarceration and Inequality

- U.S. penal system has grown steadily since the early 1970s
- About 2 million people are now in prison or jail in the United States
- Prison and jail inmates are mostly low-skill black and Hispanic men under 40
- What is the effect of incarceration on wages and wage inequality?
- What are the policy implications?

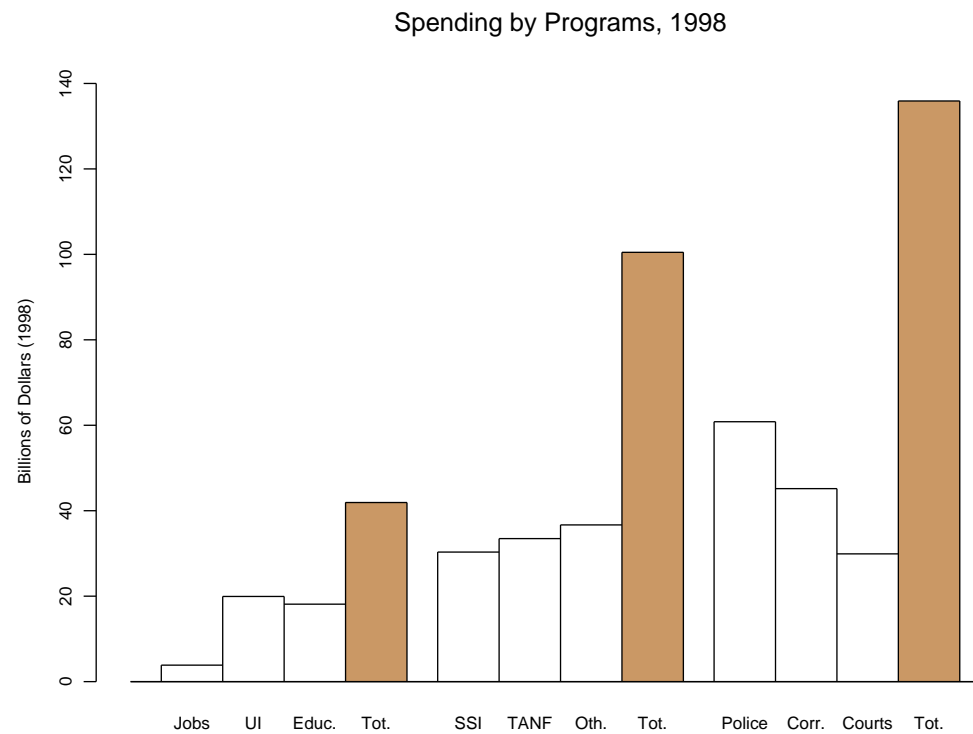
# The Current Period is Historically Exceptional



# U.S. Incarceration is Comparatively Exceptional



# Does carceral effort compare to welfare effort?



## Why study the effects of incarceration?

Institutional membership of U.S. men, aged 22–30, 1996 (percent).

	Whites	Blacks
<i>All men</i>		
Union member	8.6	8.1
Welfare program	1.7	1.3
Any government program	5.7	8.0
Prison or jail	1.4	10.6
<i>H.S. dropouts</i>		
Union member	6.7	1.8
Welfare program	6.5	2.3
Any government program	12.5	13.0
Prison or jail	8.7	36.7

*Source:* SIPP, CPS, SISSCF, SILJ.

## Imprisonment as a Novel Life Course Event

Probability of imprisonment by age 30–34, two birth cohorts.

Cohort	Whites	Blacks
<i>All men</i>		
1945–49	1.4	10.6
1965–69	2.9	20.5
<i>H.S. Dropouts</i>		
1945–49	4.0	17.1
1965–69	11.2	58.3

*Source:* Pettit and Western (2002).

## Imprisonment and Other Life Events

Percentage of black and white men experiencing life event by age 30–34.

Life Event	Whites	Blacks
<i>All men</i>		
Bachelor's degree	26.7	12.4
Military service	15.4	24.0
Marriage	77.0	57.9
Prison incarceration	3.2	22.4
<i>Noncollege men</i>		
H.S. diploma/GED	73.1	57.5
Military service	15.8	21.2
Marriage	78.7	52.7
Prison incarceration	6.0	31.9

*Note:* Imprisonment, men b. 1965–69; other events, b. 1956–60



# How Does Incarceration Affect Wages?

Going to prison or jail reduces wages by:

- Reducing human capital (lost work experience, diminished skills)
- Signalling untrustworthiness to employers (civil disabilities, too)
- Weakens social connections to steady employment
- Reduces wage growth by limiting access to career jobs
- Increases wage inequality because incarceration is concentrated among minority and low-education men

# Results

Results from regressions of log wages on incarceration.

	Never Incarcerated	After Incarceration	Percent Difference
Estimated Wage	\$9.30	\$7.92	16%
Wage Growth, 30–35	\$2.43	\$1.48	39%

Analysis of men reporting crime (1979–1998). Models control for industry, region, urban area, union membership, schooling, work experience, marital status, drug use. Period effects and fixed effects also included.

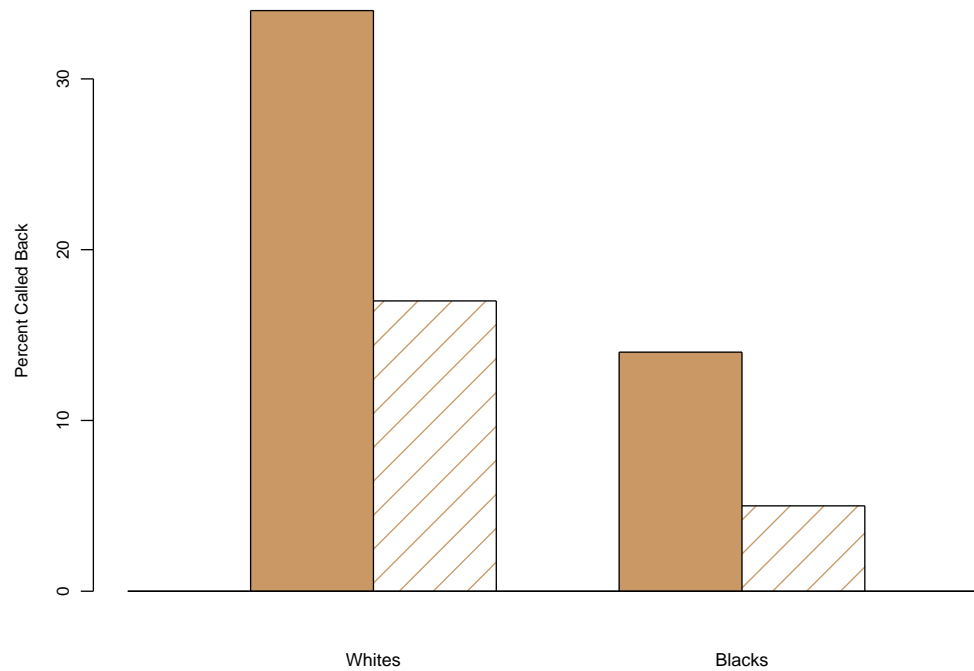
## Effect of Incarceration on Racial Inequality

	Assumed Incarceration		Percent Difference
	Observed	Zero	
<i>No Period Effects</i>			
White-Black mean difference	.318	.285	10.4
White-Hispanic mean difference	.168	.141	15.7
<i>Period Effects</i>			
White-Black mean difference	.332	.306	8.1
White-Hispanic mean difference	.196	.172	12.2

# Devah Pager's Study of Employment Discrimination

- Testers sent to apply for entry-level unskilled jobs in Milwaukee
- Two teams of testers: (1) two blacks, (2) two whites
- One tester in each team is randomly given a resume showing a criminal record (resumes are identical in all other respects)
- Do employers call back testers at the same rate?

# Results from the Milwaukee Study



Solid bar=no record, shaded bar=criminal record

## Empirical Findings

- Incarceration reduces wages by about 15%, and reduces rate of wage growth by about 1/3, because ex-inmates experiences irregular employment in causal jobs
- Racial disparity in incarceration has increased black-white wage inequality by about 10% in the NLSY (may be higher in the population)
- Audit study suggests felony status reduces employment opportunity by about 40%

## Theoretical Implications

- U.S. penal system has become ubiquitous in the lives of low-education African American men, and relatively common for low-education men in general
- The influence of the penal system now extends beyond the narrow area of crime and criminal justice policy, and is becoming an important feature of a uniquely American system of social inequality
- By increasing inequality, the prison boom may be creating significant social problems, and thus be a self-defeating strategy for crime control

# Policy Implications

- High incarceration rates are bad anti-crime and social policy
- Key barriers released prison and jail inmates: low skill, stigma, *steady* jobs for low-skill workers
- Must build skills through education and training (esp. after release)
- Employer outreach: need connections to large employers who can offer steady work (employer incentives)
- Diversion programs for those with a chance of job market success