

## ■ POVERTY AND SOCIAL POLICY ■

41 ■ Bruce Western

### Incarceration, Unemployment, and Inequality

In the later 1990s, two remarkable conditions influenced the employment opportunities of young, unskilled men in the United States. First, the unemployment rate fell to its lowest level in 30 years—around 4.5 percent by the summer of 1998. Second, the incarceration rate rose to its highest level in U.S. history. In 1998 1.78 million men were detained in American prisons and jails.

In removing so many from the labor force, U.S. incarceration policy has had significant but largely overlooked effects on unemployment. In the short run, it has lowered conventional measures of unemployment by concealing joblessness among a large group of able-bodied, working-age men. In the long run, it may raise unemployment rates by curtailing the job prospects of ex-convicts and will certainly deepen economic inequality, because its effects are increasingly detrimental to young, black, unskilled men, whose incarceration rates are the highest of all and whose market power is weak. In this article I explore both short- and long-run effects.

#### The Penal System as a Labor Market Institution

In industrial relations and welfare state development, the United States stands apart from other major western nations. Its employment system is far more market-driven: rates of

unionization and unemployment insurance coverage are lower than in most other countries in the Organisation for Economic Cooperation and Development (OECD), and social welfare spending accounts for only about 15 percent of gross domestic product (GDP), compared to about a quarter of GDP in the large European countries.

In recent years, the highly regulated European labor market has been burdened with persistent unemployment and apparently stagnant rates of economic growth, whereas the unregulated U.S. labor market has seen unemployment steadily falling in a booming economy. These trends have been used to buttress the argument that unregulated labor markets yield stronger economic performance than highly regulated markets.

But the argument is too narrowly framed. Labor markets are embedded in a wide array of social arrangements that extend beyond the welfare state or industrial relations. The weakness of social protection mechanisms does not alone explain the superior U.S. employment record. In the United States, criminal justice policy constitutes a significant state intervention, providing a sizeable, non-market reallocation of labor that has significant effects on employment trends.

The magnitude of this intervention is reflected in incarceration and budget figures. Rates of incarceration began to increase in

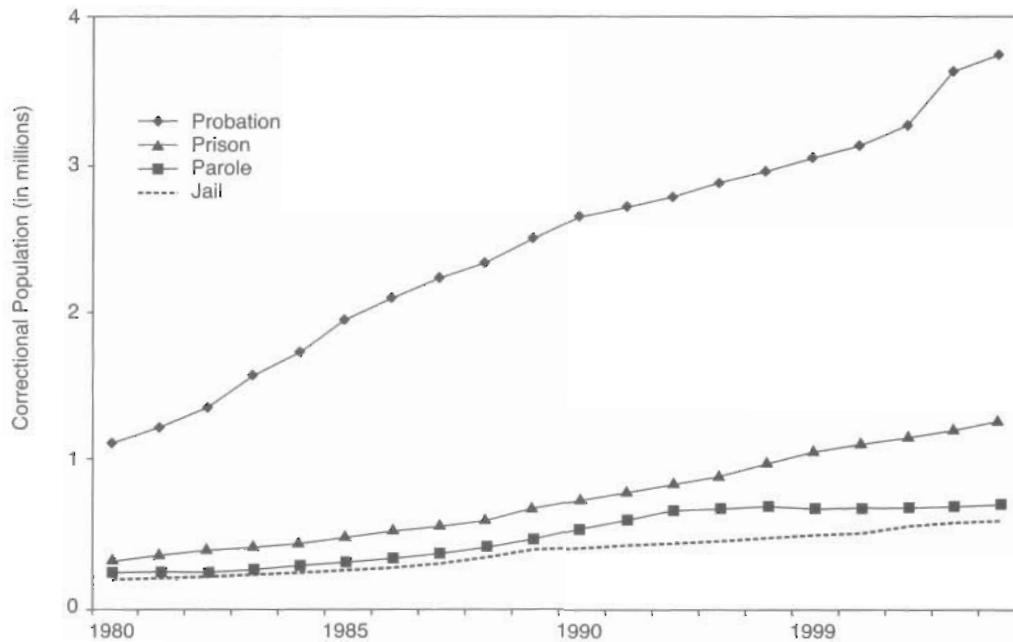


Figure 1. Adult Correctional Populations, 1980–99.

Source: Bureau of Justice Statistics, <http://www.ojp.usdoj.gov/bjs/glance/corr2.txt>.

the early 1970s, but the most rapid growth took place in the 1980s and 1990s (see Figure 1). Between 1980 and 1999, the number of people in prisons and jails in the United States grew from half a million to almost two million. . . .

Incarceration is spread unevenly across the adult population. Men make up more than 90 percent of all inmates. In the mid-1990s, about two-thirds of those inmates were under 35, and about half had not completed high school. The dramatic expansion of the prison population most seriously affected young African Americans. In 1930, blacks accounted for 22 percent of all those in prison. In 1992, over half the prison population was black. By 1995, one out of three black male youths was under some form of state supervision and nearly 7 percent of all black males were incarcerated.

The U.S. incarceration rate—the number incarcerated on a single day per 100,000 of the adult population—is very much greater

than incarceration rates in other industrialized democracies. In 1992–93, for instance, the overall U.S. rate was 5–10 times greater than the rate for other OECD countries; among American blacks, the incarceration rate was 20 times greater (Figure 2). These high rates correspond to large absolute numbers. The entire Western European prison population is measured in hundreds of thousands, the prison and jail population in the United States in millions. This disparity does not reflect higher crime rates in the United States. The evidence, indeed, suggests that U.S. crime rates are only slightly above the average among industrialized countries. Thus U.S. incarceration rates appear to result from more aggressive prosecutorial practices, tougher sentencing standards, and intensified criminalization of drug-related activity.

#### The Short-Run Effect of Incarceration

The performance of national labor markets is commonly summarized by the unemployment

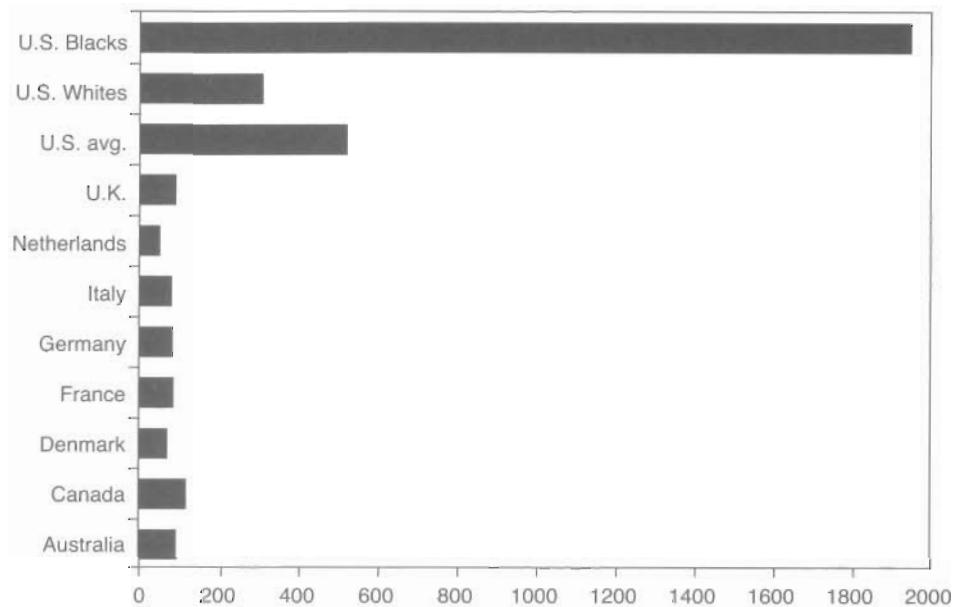


Figure 2. Incarceration Rate in Selected OECD Countries, 1992–93.

Source: B. Western and K. Beckett, "How Unregulated Is the U.S. Labor Market? The Penal System as a Labor Market Institution," *American Journal of Sociology* 104, no. 4 (1999): 130–60, Table 2.

rate—the percentage of unemployed individuals among the civilian labor force. This definition excludes from its calculations those in the military and those in prison and jail, as well as the "discouraged," those no longer looking for work and therefore out of the labor force. A broader concept tries to tap the idleness or economic dependence of a group by extending the definition of "unemployed" to include those incarcerated.

In the short run, incarceration keeps those with a high risk of unemployment out of the labor market. National surveys of prisons and jails from the early 1990s indicate that, on average, more than a third of male inmates were unemployed at the time they were sent to prison. If, for example, we count among the unemployed those inmates who were not working when incarcerated, the adjusted unemployment rate for 1995 was 6.2 percent, versus the conventional rate of 5.6 percent.

If we pursue the calculation further, including all inmates among the unemployed,

the adjusted U.S. unemployment rate for 1995 rises to 7.5 percent, an increase of 1.9 percentage points over the conventional rate.<sup>1</sup> According to this adjusted measure, U.S. rates of labor inactivity never fell below 7 percent throughout the 1980s. In the economically buoyant period of the mid-1990s, the rate of inactivity was about 8 percent, higher than any conventional unemployment rate since the recession of the early 1980s.

In Europe, the short-run effect of incarceration is tiny, because incarceration rates are so low. In all European countries, unemployed males outnumber imprisoned males by very large ratios—between 20:1 and 50:1 (in the United States the ratio is 3:1). Including prison inmates in the jobless count, therefore, changes the unemployment rate for most European countries by only a few tenths of a percentage point, a striking contrast with the large U.S. difference.

By the conventional measure, the United States enjoyed consistently lower unemploy-

ment than Europe after the mid-1980s. But adjusted figures that count the incarcerated population as unemployed suggest that the U.S. labor market performed worse, not better, than Europe for most of the period between 1976 and 1994.

#### The Long-Run Effect of Incarceration

The long-run effects of incarceration highlight the employment experiences of convicts after they are released. Ex-convicts must reintegrate themselves into mainstream society, surmounting the psychological, social, and financial consequences of imprisonment. In this process, the ability to find stable, legal employment is crucial, yet job prospects for ex-convicts are poorer than the prospects of applicants with no criminal record. Incarceration erodes the value of vocational skills, and the increasingly violent and overcrowded state of prisons and jails produces attitudes and practices that may enhance survival in the prison but are not compatible with success in the conventional job market. Job prospects may be even worse in the current context, because resources for educational and vocational training in prisons have declined. Such experiences are better observed through survey data than through aggregate labor market statistics; I drew upon the National Longitudinal Survey of Youth (NLSY), which surveys a national sample of Americans aged 14 to 21 in 1979, to follow workers as they moved from prison to the labor market. I examined employment as a function of youth incarceration, jail time, and work experience, controlling also for personal and regional characteristics such as the extent of juvenile contact with the criminal justice system and the local unemployment rate. I included employment status both before and after incarceration, because the same characteristics that place men at risk of unemployment or low wages also raise their chances of criminal conviction.

The regression analysis indicates that youth who spent time in prison worked less four years later than youth who had no prison time. Incarceration, on average, reduced employment by about 5 percentage points, or three weeks a year. The effect is particularly large for black youth, whose employment was reduced by about 9 percentage points (5 weeks) by juvenile jail time. The effect of jail time on adult employment was greater than the effect of dropping out of high school or living in a high-unemployment area. Moreover, these effects did not decay over time. Even after 15 years, men incarcerated as juveniles worked between 5 and 10 percentage points less than their counterparts who never went to prison. The effects of adult incarceration, although large in the short run (5–10 weeks a year), were less persistent, and largely disappeared within four to five years of release.

With nearly two million men now in prison, these effects are not small. The penal system, when viewed as a labor market institution, appears to significantly undermine the productivity and employment chances of the male workforce.

#### The Penal System and Racial Inequality in Employment

A large and growing proportion of young black men has had experience with the penal system; can we estimate the likely effect on their future prospects and on black-white economic inequality?

The short-run effects of incarceration are very much worse for black than for white men. As the prison and jail population grew throughout the 1980s, the labor market effects of incarceration for black men becomes much larger if all those incarcerated are counted among the unemployed. In 1990–94, the adjusted unemployment rate is only one percentage point higher for white men, but it is seven percentage points higher

for black men. During the 1990s almost one in five African American men, on average, was without a job.

Standard labor force data report a persistent gap in joblessness between black and white men that dates at least from the late 1960s.<sup>2</sup> Employment-population ratios calculated from these data show that employment inequality grew most sharply for young high school dropouts.<sup>3</sup> By including the incarcerated in calculating these ratios, we gain a more accurate picture, because marginalized groups at the fringes of the labor market have especially high incarceration rates.

If we include men in prison or jail, employment among black high school dropouts aged 20–35 declines from 46 to 29.3 percent in 1996. Furthermore, the adjusted employment ratios for black high school dropouts show a steady decline over time, whereas conventional ratios show black employment as stable or even rising slightly.

The long-run effects are also serious. The incarceration of youths disrupts transitions from school to a career and hinders the acquisition of work experience. Ex-prisoners find it difficult to access jobs in the primary sector that offer opportunities for training, pay schedules that rise strongly with experience and age, and other characteristics of stable employment.<sup>4</sup> Instead, many ex-inmates find themselves stuck in low-wage job trajectories, confined to casual or illegitimate employment in the secondary labor market.

These kinds of disruptions materially affect earnings. In general, black ex-convicts earn about 10 percent less per hour than comparable men who were never incarcerated, after adjusting for such factors as work experience, schooling, youth delinquency,

and drug use. They also have generally flat earnings profiles. My estimates suggest that, by 1998, the disproportionate incarceration of black men and the low-wage job trajectory of ex-inmates, taken together, had raised black-white earnings inequality by about 15 percent. . . .

By the end of the twentieth century, the prison experience was routinely shaping the working lives of young, less-educated, minority men. Because their incarceration rates are so high, labor market and earnings statistics as conventionally measured may significantly understate the extent of racial inequality in employment. The evidence suggests that the U.S. prison system may be exercising a systematic influence on large-scale patterns of economic inequality.

#### NOTES

1. The unemployed are usually defined as those without paid employment who are actively seeking work in the month before the survey.

2. F. Wilson, M. Tienda, and L. Wu, "Race and Unemployment: Labor Market Experiences of Black and White Men, 1968–1988," *Work and Occupations* 22, no. 3 (1995): 245–70.

3. J. Bound and R. Freeman, "What Went Wrong? The Erosion of Relative Earnings and Employment among Young Black Men in the 1980s," *Quarterly Journal of Economics* 107 (1992): 201–32.

4. M. Duneier, *Sidewalk* (New York: Farrar, Strauss, and Giroux, 1999), R. Sampson and J. Laub, *Crime in the Making: Pathways and Turning Points Through Life* (Cambridge, MA: Harvard University Press, 1993), J. Waldfogel, "The Effect of Criminal Conviction on Income and the Trust 'Reposed in the Workmen'," *Journal of Human Resources* 29 (1994): 62–81, and "Does Conviction Have a Persistent Effect on Income and Employment?" *International Review of Law and Economics* 14 (1994): 103–19.