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Don't Build it Here Revisited (or "There is no Economic Salvation Through Incarceration") - Prisons Do Not Create Jobs

Despite widespread popular beliefs that prison construction offers substantial economic benefits to local areas, empirical research has suggested otherwise. In an article published in *Social Science Quarterly* in 2004, Hooks et al. collected data on all existing and new prisons constructed in the United States since 1960, and examined the impact of prisons on employment growth in the approximately 3,100 counties in the contiguous United States. Their analyses compared metropolitan with nonmetropolitan counties with respect to income per capita, total earnings, and total employment growth and statistically controlled for other potential influences on employment growth (including population size, economic infrastructure, and the educational level of the workforce, among others). Hooks et al. did not find a significant relationship between the presence of

prisons and employment growth in metropolitan counties, suggesting that any impact of prisons is probably drowned out in these larger, diverse urban economies.

Additional analyses compared nonmetropolitan counties experiencing slow employment growth during the previous decade with those experiencing more rapid growth. These analyses showed that among the faster-growing counties, there was no evidence that prisons made a substantial contribution to change in total employment. Among the slowergrowing counties, prisons actually impeded private sector and total employment growth.

Additional scholarly research has supported Hooks et al.'s findings that prisons do not contribute to economic growth. Using census data for each new prison town and all other towns (incorporated places with fewer than 10,000 residents) Besser and Hanson (2005) found changes in unemployment rates between 1990 and 2000 were approximately equal in

prison and non-prison towns, but public sector employment increased more in prison towns. In addition, increases in total non-agricultural employment, retail sales, average household wages, the total number of housing units, and the median value of owner-occupied housing were substantially lower in towns with prisons compared to non-prison towns. In New York State, a Sentencing Project report by King, Mauer, and Huling (2004) on the impact of 38 new prisons that opened between 1982 and 2000 found no statistically significant impact of prison construction on reducing unemployment, and no positive effects with respect to per capita income. Similarly, a report on the impact of prison construction in the state of Missouri found that, aside from population increases in jurisdictions with prisons (largely as a result of the arrival of prisoners in these jurisdictions), counties with prisons saw no increases in personal income, and actually had larger increases in unemployment, than counties without prisons. Finally, a county-level analysis focusing on the impact of private

prisons conducted by Washington State University graduate student Shawn Genter found that in states with private prisons, new prisons impeded economic growth. Genter suggested that prisons impede employment growth due to the “opportunity cost of a misguided investment.” In other words, as government funds are allocated to prison construction, other public programs suffer.

In a more recent study to be published in *Social Science Quarterly*, Hooks et al. extended their analysis of the impact of prisons on employment to 2004, separated the analyses into four seven-year periods (1976-1983; 1983-1990; 1990-1997; 1997-2004) , and also examined how human capital mediates the influence of other factors affecting employment growth at the county level. Given arguments that large-scale construction projects (such as prison building) provide benefits to local economies that persist after such projects are completed, Hooks et al. also separated private sector employment into construction and

non-construction, allowing them to include growth in construction employment to predict changes in non-construction employment over time.

Similar to the findings in their 2004 study, Hooks et al. found no significant relationship between the presence of prisons and employment growth in metropolitan counties, and also that prisons have not played a strong role in economic growth in rural counties over the past few decades. While new prisons were associated with increases in public employment in the 1976-1983 and 1983-1990 period and established prisons were associated with growth in both public and total employment in the 1983-1990 period, such was not the case for the 1990-1997 and 1997-2004 periods.

In order to examine the impact of human capital factors on employment growth, Hooks et al. compared counties with new and established prisons experiencing high growth in the percentage of individuals

holding Bachelors' degrees to counties experiencing low growth in the percentage of individuals holding Bachelors' degrees over the four time periods. Among counties experiencing higher growth in educational attainment, new prisons contributed to growth in public sector employment from 1997-2004. However, for counties experiencing low growth in the percentage of individuals holding Bachelors' degrees, both new and established prisons had a negative impact on total employment growth over the same period.

King, Mauer, and Huling (2004:461) note that "in the case of prison siting, it is incumbent upon those supporting siting to demonstrate not simply marginal economic gain, but rather, to establish that the economic benefits have been worth the investment". Hooks et al.'s more recent study calls into question claims that prison construction is worth the investment for rural communities. Their study is part of a growing literature that examines who does and does not benefit economically from prison construction. While developers prominent in local growth machines and more distant firms may realize profits from construction and service contracts with prisons, there is emerging evidence that prisons do not solve the economic problems of rural areas, but in fact may create several new problems. Among others, these problems would include placing pressure on environmental resources while aggravating class and racial inequalities and leading to increased rates of domestic violence. As Tracy Huling notes, there is "no shortage of anecdotal evidence of increased rates of divorce, alcoholism and substance abuse, suicide, health problems, family violence, and other crimes associated with multi-generational prison communities."

In addition, as has been noted by Peter Wagner and others, because the Census Bureau counts people in prison as being residents of the communities where they are incarcerated, there has been a substantial transfer of government funds from urban to rural communities. The urban communities in which most prisoners originally resided also lose political representation and power as a result of this phenomenon.

While the statistical analyses described above do not allow us to determine specifically why the promised economic benefits of prisons do not materialize, we believe that there are several possible explanations.

With respect to prison jobs themselves, in many states, such jobs are subject to union rules regarding seniority and are frequently filled by out-of-county residents, resulting in what King, Mauer, and Huling refer to as an "employment transfer." Generally, higher paying management and correctional officer jobs in prisons have educational and experience requirements which many rural residents do not possess. In California, for instance, management and correctional officer positions in newly-constructed prisons are often given to more senior correctional employees who apply to transfer from other prisons in the state. In Corcoran, California, only 40 percent of jobs at a new prison were filled by residents of the host county. Similarly, in Missouri, more than two-thirds

of the prison jobs were filled by individuals living outside the host county. In the eastern Oregon city of Ontario, 62 percent of the approximately 870 employees of the Snake River Correctional facility live in Idaho, where property taxes and home prices are substantially lower. Even the low-wage jobs associated with prisons, such as janitorial positions, are out of reach to local residents because they are commonly filled by the prisoners themselves. Comments by a county commissioner in Minnesota whose jurisdiction was successful in securing a prison summarize this issue most poignantly “At first we thought if we built it they would come, but what we’ve learned is that some of the prison employees come to work here, but not to live here.”

An additional reason that prisons do not contribute to employment gains is that the economic multipliers associated with these facilities are very limited. Prison workers who move from other locations often don’t reside in the actual prison town, and as such, their consumer behaviors have more

of an impact on markets outside the prison community. Big-box retail stores such as Wal-Mart and/or fast food restaurants are among the limited number of businesses that establish themselves in new prison towns and the influx of such businesses frequently leads to the demise of locally-owned establishments. These businesses are also unlikely to create local economic linkages themselves. As an article addressing the economic impact of prisons in Oregon noted that there “is nothing entrepreneurial about a prison economy” - prisons can crowd out other opportunities that might have lead to clusters of related, competing businesses “propelling each other to innovate and expand.”

Another possible reason for the lack of positive economic benefits of prisons is the existence of prison industries, which may serve to displace low-wage workers, especially in economically depressed rural areas. All 50 states and the federal government operate their own prison industries, and prisoners engage in a wide range of work activities. For example, the

federal government's UNICOR program employs more than 22,000 prisoners, operates over 100 "factories" and had more than $650 million in sales (most products are sold to the United States military) in 2003. It has been noted that some prisoners working for UNICOR are paid as little as 12 cents an hour, and that the company commonly violates federal health and safety standards.

Among the prominent companies that currently use or have used prison labor are IBM, Boeing, Motorola, Microsoft, AT&T, Texas Instruments, Dell, Compaq, Honeywell, Hewlett-Packard, Nortel, Lucent Technologies, Intel, TWA, Nordstrom's, Revlon, Macy's Pierre Cardin, Target Stores, Victoria's Secret, Toys R Us, Starbucks, and the Parke-Davis and Upjohn pharmaceutical companies, among others. While inmates in state penitentiaries typically receive minimum wage for their work, many do not, and in privately-operated prisons, wages are significantly lower.

As we noted in a previous article in *Prison Legal News*, Oregon is the

state that perhaps best exemplifies the negative impact of prison labor on employment. Passed in 1994, Ballot Measure 17 in that state required that all prisoners work 40 hours per week. As a result, thousands of jobs previous public sector jobs are now filled by prisoners. In addition, private companies can hire prisoner work crews for as little as $400 per day which may lead them to lay off or terminate regular employees. Work crews have also been hired by municipalities for public work projects. In Umatilla, Oregon, the city manager, who frequently hired inmate work crews commented “Yeah, they’re jobs that might have been taken away from somebody, but realistically they probably wouldn’t have gotten done.” There have also been several examples in other states of companies that locate within prisons and subsequently close their outside operations.

Finally, due to the negative stigma that sometimes attaches to “prison towns”, prisons can also discourage other types of economic development as businesses may be reluctant to locate in such towns. As the executive

director of a group opposing prison construction in upstate New York commented “Once you have the reputation of a prison town, you won’t become a Fortune 500 company town, or an Internet of software company town, or even a diverse tourism and company town.” An interesting “case study” of this issue can be seen in the two Oregon counties of Umatilla and Morrow, as documented by Ben Jacklet in *Oregon Business* magazine. When it competed to attract a new prison in 1989, Morrow County had a 16.5% unemployment rate, the highest in the state. Although the county was unsuccessful in securing the prison, from 2000 to 2006, private employment in Morrow County grew by 27%, with clusters of businesses forming in the specialty food and renewable energy sectors. Although it is impossible to determine whether the lack of a prison was responsible for this increase in private employment, Jacklet notes that over the same period, neighboring Umatilla county, which housed two large prisons, lost 1,460 private sector jobs.

The Future

The folly of promoting prisons as economic engines is becoming even more evident in the current economic climate – it turns out that prisons are anything but recession proof. As states face huge budget deficits, they are moving to release inmates and shut down prisons. In the fall of 2009, California, which had the second-largest prison system in the United States, floated a proposal to release as many as 40,000 inmates to save money and comply with a federal court ruling that found the state's prisons were overcrowded. Colorado granted earlier parole to nearly 20 percent of its prisoner population; Oregon temporarily nullified a 2008 ballot initiative that required longer sentences for certain drug and property crimes, and increased the time inmates get off their sentences for good behavior by 10 percent. Michigan planned to close three prisons and five prison camps in 2009, resulting in the loss of more than 1,000 corrections jobs. In the northern Michigan town of Standish, similar to what occurred during the

1990s when communities tried to attract prisons, signs and posters stating "Save our town, Save Standish Max" appeared throughout the community, with prison employees and residents even indicating they would welcome becoming the new home for Guantanamo Bay inmates.

Although it is unlikely to occur, perhaps we can wish that more prisons realize the fate of the Joliet (Illinois) correctional center (and Alcatraz before it), which was known as one of the toughest prisons in the United States. In 2009, seven years after the facility was closed, Joliet city officials proposed turning the prison into a tourist theme park.

To conclude, the bulk of social scientific empirical research on the issue indicates that prisons provide few benefits to the communities that host them. And as Blankenship and Yanarella poignantly comment “Viewing [prisons] only in terms of economic development ignores the fact that the raw materials being transformed within the prison walls are one’s fellow citizens. ... The corrections industry is a component of an economy built on human misery.”