

**Center for the Study of Urban Poverty
University of California, Los Angeles
Working Paper Series**

*HOW DO CRIME AND INCARCERATION AFFECT
THE EMPLOYMENT PROSPECTS OF LESS-EDUCATED
YOUNG BLACK MEN?*

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EMPLOYMENT PROSPECTS OF LESS-EDUCATED YOUNG BLACK MEN?**

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I. Introduction

It is well-known that rates of participation in crime and incarceration among young black men are very high. Currently, about a million black men are incarcerated, and millions more are either ex-inmates or felons who are currently or have been on probation.

How does the high rate of criminal activity and incarceration among young black men affect their employment rates? Those who are currently incarcerated do not show up in the population of young men on which our estimates of employment rates are based, and these rates would look far worse if they were included. But the employment and earnings of those who are part of the noninstitutional population of young black men are likely reduced by past participation in crime and/or previous incarceration in a number of ways. This is apparently due to a combination of *demand-* and *supply-*side factors in the labor market – in other words, a reluctance of employers to hire young men with criminal records as well as a deterioration in the skills, employment networks and/or interest in legitimate employment among the young men themselves.

What is perhaps somewhat less obvious is that high rates of crime and incarceration among young black men is likely to reduce the employment prospects even of those with no criminal background themselves. This might occur because employers frequently cannot accurately distinguish between those who do and do not have criminal backgrounds, so they might tend to avoid hiring those whom they *suspect* of having criminal records. This should especially be true of young black men with poor educational attainment and relatively little work experience. If so, it would constitute a classic case of *statistical discrimination* against young black men, though one which has received relatively little attention in the research literature to date. This might also help to account for the declining rate of employment observed among

young black men in the 1990's (Holzer and Offner, this volume), as incarceration rates have risen for this population.

In this paper we will consider some evidence on how incarceration rates affect the employment and earnings prospects of young black men. We begin by providing a general overview of crime and incarceration trends in the U.S. Next, we review the evidence on how criminal records influence the employment prospects of those who have them, and some estimates of how many young black men this affects. We then provide some new evidence on the reluctance of employers to hire those with criminal records, but also on their limited tendencies to do criminal background checks and thereby gain accurate information on exactly which individuals have such records. We also show that this lack of information leads to a reduced tendency to hire black men more broadly. The data used for this analysis are from a recent survey of employers in several large metropolitan areas, and thus give us fairly direct evidence on the reduced demand for the labor of young black men that results from incarceration. We conclude with some discussion of the implications of these results for employment among young men and policies to deal with these limitations.

II. Some General Trends in Crime and Incarceration in the U.S.

The 1990s were marked with distinct and strong trends in crime and incarceration rates. While violent and property crime decreased over this period, rates of incarceration in the U.S. rose dramatically. Figures 1 and 2 show data on time trends in the violent, property, and drug-related crime indexes.¹ The data show that, after rising somewhat over the late 1980s, violent and

¹ Violent offenses include murder, manslaughter, rape, sexual assault, robbery, assault, extortion, and other violent offenses, while property offenses include burglary, larceny, motor vehicle theft, fraud, possession and selling of stolen property, destruction of property, trespassing, vandalism, and other property offenses. Drug-related offenses include possession, manufacturing, trafficking, and other drug offenses.

property crime decreased steadily over the 1990s, reaching a twenty year low by the end of the decade. The reasons for these declines are not fully understood, but include, among others, a strong economy, changes in crime sentencing and policing policies, changes in the age demographic structure towards fewer young people, and the imprisonment of more offenders (Currie, 1998).

The media and law enforcement agencies usually refer to violent and property crime indexes when publicizing and reporting crime trends since Department of Justice and the FBI classify these as major crimes. Moreover, historically, the majority of arrests have been for violent and (in particular) property crimes. Drug-related crimes are usually not reported as part of the major crime index. But Figure 1 shows that drug-related crimes rose rapidly over the 1990s, and by the end of the decade became slightly more prevalent than violent crime. This increase is due in part to enactments of stricter drug laws and enforcement such as that which occurred during the “War on Drugs,” which became prevalent during the Reagan, first Bush and Clinton administrations (Hawkins and Herring, 2000).

The rise in drug-related arrests and convictions has in part fueled the rapid rise in the incarcerated population over the 1990s.² Figure 3 shows that the incarceration rate per 100,000 persons in the U.S. nearly doubled from 1988 to 2000. This rise translates into an increase of about 600,000 prisoners over this period, with an incarcerated population of about 2 million in 2000. Other factors that have led to this growth in incarceration include the spread of mandatory sentencing laws across states and the increasing use of plea-bargaining (Travis *et. al.*, 2001).

Of particular concern for our analysis is that the rise in incarceration in the U.S. has been disproportionately fueled by prison and jail admissions of blacks, in particular black men. Figure

4 shows the percent of the U.S. population by race that is under correctional supervision, which includes prison, parole, and probation populations. This figure shows that a larger fraction of blacks are under correctional supervision than are other racial or ethnic groups. Moreover, the percentage of blacks under this supervision grew rapidly over the late 1980s and early 1990s, while the same was not true for others.³ With a population of about 35 million in the U.S. in 2000, the data suggest that in the late 1990s about 3 million blacks were under some form of correctional supervision, of course the vast majority of whom are men.

The rising contribution of drug offenders to the prison population has disproportionately affected black men. It is estimated that over the 1990s black men accounted for 35 percent of arrests, 55 percent of convictions, and 74 percent of prison sentences for drug-related crimes such as possession (Mauer and Huling, 1996). Moreover, the rise in the number of drug offenders over the late 1980s and early 1990s accounted for 42 percent of the total growth among black inmates and 26 percent of the growth among white inmates. Given these trends, it is estimated that the lifetime chances of going to prison are 16.2 percent for blacks, as opposed to 2.5 percent for whites, and 28 percent for black men (U.S. Department of Justice, 1997).

In the next section, we discuss the literature on how crime and incarceration can affect employment, and provide more detail of the magnitude of young black men's participation in crime and their incarceration.

² The incarcerated population is overwhelmingly male (about 90 percent), disproportionately black and Latino (about 50 and 20 percent, respectively), and young (about 70 percent are under 35 years old) (U.S. Department of Justice, Bureau of Justice Statistics, 2000).

III. Previous Evidence on How Crime and Incarceration Affect Employment Outcomes

To understand the relationship between crime and the employment rates of young black men, it is useful to distinguish between three different possibilities for any individual currently or previously engaged in criminal activity: 1) he participates in crime but has not yet been incarcerated; 2) he has been arrested, convicted, and/or incarcerated; and 3) he has been released from prison.⁴

The decision to participate in crime often entails a decision to engage less fully in legitimate employment. All of these effects may not be directly causal, as both decisions might be viewed as the joint products of having relatively weak employment opportunities and more substantial criminal ones.⁵ Still, the decision to participate in crime reinforces the decision to forego regular employment, at least some of the time. Employers may also seek to forego hiring anyone engaged in criminal activity, who might entail a risk to their customers, their property, etc. (Holzer *et. al.*, 2001).

Likewise, once someone has been incarcerated and then released, there may be negative effects of their incarceration on their own decisions to participate in the labor market, their skills and work experience, and their employment networks. Employer willingness to hire them will also be reduced, for the reasons mentioned above. Legal factors restrict the ability of employers to hire ex-offenders in certain sectors as well.⁶ Together, these considerations imply that, all else equal, both participation in crime and incarceration should be associated with lower earnings

⁴ In this example, those who have been convicted of a crime but put on probation would go straight to the third category, though the disadvantages associated with probation may be fewer than those associated with incarceration.

⁵ A fuller model of the decision to participate in crime or not would adjust the relative returns to legal v. illegal work, adjusting the latter for the risks and costs of being caught and punished. The classic treatment of this issue is in Becker (1968).

⁶ The sectors of the economy in which there are legal restrictions on the hiring of ex-offenders are those involving finances, interstate transport of goods, or child care or patient care, among others.

and/or employment for individual young men, especially for those with poor skills and any other barriers to labor market success.

Of course, while an individual is incarcerated they cannot be employed, but they are also not counted as being part of the civilian population. This implies that, while the effects of both crime and incarceration on *actual* employment and earnings are uniformly negative, their effects on *observed* employment might not be. Indeed, by eliminating relatively less employable individuals from the samples of people on which we measure employment rates, the effects of crime and incarceration on observed employment rates could be positive, even while its actual effects are negative. Furthermore, this might also be true to some extent for the non-incarcerated who participate in crime before or after a spell of incarceration, who are less likely to appear in a sample of individuals responding to surveys than other young men.⁷

Despite these caveats, the effects of crime and incarceration on the observed employment of young black men will depend on two factors: 1) The numbers of young men who engage in crime and/or are incarcerated; and 2) The magnitude of the effects of those factors on their legitimate employment and earnings, both before and after incarceration.

The numbers of young black men who participate in crime and who are incarcerated are, of course, very large. For instance, there are roughly five million young black men aged 16-34 in the noninstitutional population. Of these, perhaps 600-700,000 engage in illegal activity each year. A comparable number of young black men are currently incarcerated (but are not part of the five million in the population). Of those not currently imprisoned, perhaps an additional 500,000 are on felony probation.⁸ Furthermore, the flow of young black men out of prison and

⁷ It is widely known that the “undercount” of young black men in almost any survey is greater than that for any other demographic group (e.g., Bound, 1986).

⁸ These estimates of the numbers of young men who engage in illegal activity are based on those of Freeman (1996), though we adjust for the declining crime rate of the 1990’s and also for the fact that roughly two-thirds of those

back into their respective communities is likely to be large each year, as is the total number of ex-prisoners or ex-felons.⁹

In all, as many as half of all noninstitutional young black men are likely engaged in crime or have been in the past. However, the exact breakdown of these categories will differ across the various age subgroups in this population. Among those aged 16-24, crime and arrest rates are quite high while incarceration rates and especially the presence of ex-offenders are relatively small. The opposite is likely true for those aged 25-34.¹⁰

For any individuals who participate in crime, their contemporaneous employment and earnings are somewhat reduced, though (as we noted earlier) this effect is not fully causal.¹¹ What is somewhat less clear is the effect of incarceration on subsequent economic activity. Freeman has estimated that incarceration can reduce subsequent employment by as much as 25%, while others (e.g., Grogger, 1995; Kling, 2000) find much smaller effects on employment. However, most studies show negative effects on subsequent earnings of 10-20% or more, even if employment effects are not very large (Kling *et. al.*, 2000).¹² Thus, the combination of very large numbers of individuals engaging in crime or being incarcerated, along with at least moderate

imprisoned for crime are below the age of 35 (Western and Pettit, 2000). The estimate of those on felony probation are from Uggen *et. al.* (2001), and is similarly adjusted for age.

⁹ Roughly 600,000 men are now released from prison each year (Travis *et. al.*, 2001), of whom about half will be black and about a fourth of whom are young black men. Many of these men will reenter prison within a few years. Uggen *et. al.* contain estimates of the total stock of ex-prisoners and ex-felon by race, which suggest that there may be a half of a million or more young black men in the former category and a million or more in the latter one.

¹⁰ See Freeman (1999) for evidence that crime and arrest rates peak near the age of 20 for most young men. In contrast, Travis *et. al.* report that the average age of those returning to society after incarceration is about 34.

¹¹ Freeman (1996) shows that, even before incarceration, employment rates among those who admit engaging in illegal activities in surveys are significantly lower than among those who do not. However, employment rates among those who do engage in such activity are still substantial. Employment rates of individuals who have been charged with a crime are nearly 20% below those of other youth; for those who are subsequently jailed, employment rates are more than 50% lower.

¹² Only Grogger's evidence suggests very limited effects on both employment and wages. His data, which links Unemployment Insurance records on earnings to legal records from California, do suggest more negative effects from incarceration than just from arrest or conviction, and significant short-term effects from all categories of involvement with the criminal justice system that tend to fade somewhat over time.

effects of these factors on their earnings and/or employment, suggest quite negative effects of crime on observed labor market outcomes.

Furthermore, it is quite possible that these estimates *understate* the negative effects of crime on observed outcomes. Much of this literature deals with the problem of the weak unobserved personal characteristics of those engaging in crime – whether it be their skills, motivation, family backgrounds, employment networks, etc. These characteristics might have led those involved in crime to have negative labor market outcomes regardless of their decisions to participate in crime, in which case the effects of criminal activity might appear more negative than they really are.

But a number of other biases in our estimated statistical relationships between employment outcomes and crime/incarceration could have the opposite effect. As noted above, crime and incarceration eliminate many individuals from the samples of data that we analyze; thus we will not be able to fully observe its negative effects on outcomes, and might mistakenly see positive effects on the composition of those who remain in the data. Furthermore, there is considerable evidence of underreporting in self-reported survey data on crime, especially among young black men (e.g., Hindelang *et. al.*, 1981; Viscusi, 1986). Since this constitutes a form of measurement error in the independent variable, it is likely to cause a bias towards zero in estimated effects of crime on outcomes.¹³

An additional source of bias in our estimates comes from the likely effect of crime on those who do *not* participate in it as well as those who do. Since employers cannot perfectly distinguish between those who participate in crime and those who do not, they may well avoid hiring anyone whom they suspect of such activity. Indeed, if individuals choose to conceal their participation in such activities from employers, there will be no certain way for employers to

infer that behavior in the absence of incarceration. Once an individual has been incarcerated, employers might learn about it from conducting a criminal background check. But, at least until recently, many employers have chosen not to do so, given the costs and difficulties involved in the process. While there is some evidence that these costs are declining with internet-based searches, there is little direct evidence that employer behavior has substantially changed in response to these costs.

In the next section, we provide some direct empirical evidence on employer reluctance to hire those with criminal records and their tendency to engage in background checks. For now, though, we can say that it is likely that employers will discriminate statistically against less-skilled young black men, which negatively affects their rates of employment. This, in turn, will contribute to a bias towards zero in any estimates of the effects of crime and incarceration on individual employment outcomes for those who engage in crime relative to those who do not.

While the effects of crime and incarceration on outcomes are likely to be negative, can they also account for the trends over time towards lower employment of young black men that we have observed in the 1980's and 1990's (Holzer and Offner, *op. cit.*)? On the one hand, the well-known drop in the nation's crime rate during the 1990's might initially suggest that the trends in crime are moving in the opposite directions from those needed to explain those in employment. However, incarceration rates continued to climb for most of the 1990's, even though crime rates declined. More importantly, the reentry of incarcerated individuals into society has risen dramatically over the past several years (Travis *et. al.*, 2001). This implies that many more individuals will be subject to the negative effects of previous incarceration than was true a few years ago.

¹³ This assumes that the measurement error is "classical", or uncorrelated with any other independent variables.

Of course, given that there is relatively more crime but relatively fewer ex-offenders among the youngest males relative to somewhat older groups, the trends described above should contribute more to the explanation of declining employment among young black men aged 25-34 rather than those aged 16-24, while employment declines have been greatest for the youngest group in the 1990's (Holzer and Offner, *op. cit.*). Perhaps these issues contributed more to the declines in employment for very young black men that occurred in the 1970's and 1980's, when crime was rising. Alternatively, the drop in crime in the 1990's could contribute to declining *estimates* of employment rates, rather than declining actual employment, if more young men with poor skills are now being observed in the samples of data on which we estimate these rates. Or, given the imperfect information that employers have about individual tendencies to participate in crime or become incarcerated, perhaps the growing presence of ex-offenders is adversely affecting younger workers through their effects on employer perceptions and behavior.

In sum, it seems clear that participation in crime and incarceration contributes to lower earnings and/or employment among young black men. There are likely to be direct negative effects on those who participate, and indirect effects on younger black men more broadly. The trend over time towards higher incarceration rates and a greater presence of ex-offenders in the population should almost surely help explain declining employment trends among some groups of young black men, while the effects of declining crime rates in the 1990's on the youngest group might be somewhat more mixed.

IV. Evidence on Employer Hiring Activity

While the studies described above have focused on the direct effects of crime and/or incarceration on the employment and earnings of young men who engage in crime, the data we

present below focus more on the indirect effects of criminal activity on the employment of young black men, including those who might not be directly engaged in these activities. This effect occurs because employers have very imperfect information on exactly which applicants engage in crime, and so they may become more reluctant to hire any less-educated young black men.¹⁴

This would be a form of *statistical discrimination*, in which employers make employment decisions based on the characteristics of the groups to which individuals belong, when it is too costly to gain more information about the individuals themselves.¹⁵ Interestingly, the greater the information available to employers about the criminal histories of individuals, the lesser the potential discrimination against young black men in general, even if there will be greater reluctance to hire individuals with criminal records under these circumstances.

To analyze the effects of employer attitudes and behaviors towards criminal background on the hiring of young black men, we use data from a recent survey of employers in four large metropolitan areas. The survey, designed as part of the Multi-City Study of Urban Inequality (MCSUI), is described at length in Holzer (1996). It was administered over the phone to the individual responsible for entry-level hiring in about 3000 establishments in Atlanta, Boston, Detroit and Los Angeles between 1992 and 1994. Larger establishments in the sample were overweighted, to generate a sample that accurately reflects the distribution of workers across establishment size categories in the workforce. Response rates averaged roughly 70%, and little

¹⁴ While many application forms inquire about whether or not the applicant has a criminal record, there appears to be little incentive for applicants to answer these questions truthfully – especially if they believe that admitting to having a criminal record will preclude them from getting hired at all while concealing such a background might enable them to get hired. If the employer becomes aware of their background at a later date, the most serious consequence to providing the inaccurate information could be the loss of a job that they might not have gained in the first place had they been more forthcoming.

¹⁵ For a comprehensive discussion of statistical discrimination models see Altonji and Blank (1999). For an earlier discussion of how imperfect information about criminal background might generate such discrimination against young black men see Bushway (1996).

evidence of significant response bias was found in these data across observable characteristics of the establishments.¹⁶

Respondents to the survey were asked a wide range of questions about general characteristics of the establishment and its hiring practices, as well as a set of questions about the last worker hired into a job that does not require a college degree. Of particular interest here is a question about the employer's preferences regarding the hiring of disadvantaged workers. Employers were asked whether they would be willing to hire members of various disadvantaged or stigmatized groups into the last noncollege job that they filled, where the categories included welfare recipients, those with long-term unemployment, those with only short-term or part-time work experience, and those with criminal records. Responses to this question were listed as "definitely", "probably", "probably not", or "definitely not". In addition, employers were asked whether they actually check the criminal backgrounds of applicants to this job, with responses listed as "always", "sometimes", or "never".

In Figure 5, we present data on the stated preferences of employers towards hiring members of the various stigmatized groups. The data show that employers are much more reluctant to hire ex-offenders than welfare recipients, workers with long-term unemployment, or any other group. Indeed, less than 40 percent of employers would "definitely" or "probably" fill their last noncollege job with an ex-offender. In contrast, over 90 percent of employer indicate that they would definitely or probably hire a welfare recipient, 96 percent indicate that they are likely to hire a worker with a GED, and over 80 percent indicate that they are likely to hire a worker who has been unemployed for more than a year. Interestingly, employers display a

¹⁶ Samples were drawn from lists of employers compiled by Survey Sampling Incorporated (SSI). Since these lists include information on the industry, size category and location of non-respondents as well as respondents, it was possible to test for differences in response rates across these categories, and relatively little was found – see the Appendix to Holzer (1996) for more detail. In addition, the characteristics of the establishments surveyed were

particular aversion to hiring applicants with spotty work histories. This in itself may signal previous involvement with the criminal justice system. Nonetheless, even these workers are preferred by a fairly large margin to workers with criminal histories.

Note that the question makes no reference to any other characteristics of the group that might limit their employability, such as skills, substance abuse, or general readiness to work. All of these are likely to be serious barriers to the employment of ex-offenders, even when employers are willing to hire from this group (Travis *et. al.*, 2001). Furthermore, some limited evidence from a more recent survey of employers suggests that, even in the very tight labor markets of the 1990's, the willingness of employers to hire from this group rose by relatively little.¹⁷

Of course, the ability of employers to avoid hiring ex-offenders also depends on their ability to distinguish them from other applicants. In Figure 6, we present data on the extent to which employers check criminal backgrounds when filling these jobs. Responses to this question are presented for the overall sample of employers, as well as by their stated willingness to hire ex-offenders.

The results show that at the time of the survey, most employers do not regularly check the criminal backgrounds of those whom they hire. Moreover, background checks occur somewhat more frequently among those who are opposed to the hiring of ex-offenders than among those who are more open to doing so, though even in the former group the proportion that always check is a slight majority.

broadly similar to those observed in other data sources, such as the County Business Patterns, for the relevant time periods and locations.

¹⁷ In Holzer *et. al.* (2001), we compare the earlier survey results to more recent data from a survey in 1998-99 that focused primarily on employer willingness to hire welfare recipients (see also Holzer and Stoll, 2001). The percentage of employers willing to hire ex-offenders rose by only about three percentage points (i.e., from 38 percent to 41 percent) between the two surveys.

No doubt the relative infrequency with which backgrounds are checked is related to the time cost and inconvenience of doing so for employers. Anecdotal evidence suggests that these costs may be diminishing over time, as both private and public sources of data on backgrounds are becoming more readily available over the internet (Holzer *et. al.*, 2001). The extent to which employer behavior has responded to these lower costs by increasing the frequency of checks is not yet fully known. Evidence from a recent yet similar survey of employers in Los Angeles suggests that employers' use of backgrounds checks increased over the 1990s. Survey data for Los Angeles in 2001 indicates that about 63 percent of employers always or sometimes check the criminal backgrounds of those whom they hire, while the comparable figure is about 48 percent for 1992-94 Los Angeles portion of the Multi-City employer data.¹⁸ It is unknown whether such background checks have gone up as substantially in the rest of the nation during the 1990's, when employment rates of young black men were continuing their secular decline of the past several decades.

Some other characteristics of employers are presented in Table 1, according to whether or not they are willing to hire ex-offenders and whether or not they check criminal background. The characteristics of employers include their industry, size, location (i.e., central-city or not) and whether or not they use Affirmative Action in recruiting. Also included in this table are some characteristics of the last job filled, such as the daily tasks performed on the job and required job qualifications.

A number of interesting findings emerge regarding the characteristics of employers and jobs that are open to ex-offenders and in which backgrounds are checked or not. For instance, larger employers seem more willing to hire ex-offenders than smaller ones; those in

¹⁸ The 2001 Los Angeles Employer Survey was designed and carried out by Holzer, Raphael and Stoll, and collected data from 619 firms. It used the same sampling framework as that in the 1992-94 Multi-City Employer Survey.

manufacturing more willing than those in retail trade, the financial sector or other services; and those using Affirmative Action more willing than those who do not.¹⁹ Willingness to hire ex-offenders also seems strongly related to the tasks that need to be performed on the job and other hiring requirements. For instance, jobs requiring daily contact with customers are clearly less available to those with criminal records than those that do not, perhaps reflecting employer concerns over potential safety of customers and over potential negligent hiring lawsuits. Similarly, jobs requiring high school diplomas or references are less available than those that do not, likely reflecting a tendency of jobs that require relatively greater skills or employer trust of personal qualities to be less open to ex-offenders. Since the percentages of jobs that require these skills and in the sectors that are less amenable to offenders appear to be growing over time, the proportion of jobs available to offenders is likely declining, despite their increasing presence in the population.²⁰

But, even among employers who seem relatively less willing to hire ex-offenders, the tendency to check criminal backgrounds varies considerably. For instance, smaller employers that do not want to hire ex-offenders are considerably less likely to check criminal background than larger employers with similar preferences. Those with unionized workforces or engaging in Affirmative Action are considerably more likely to check than those who are not, even among those with no willingness to hire. All of these findings suggest that employers who are relatively less sophisticated about hiring, and perhaps those with fewer resources to invest in it, are less

¹⁹ Employment of ex-offenders in particular sectors, such as the financial services, protective services or those involving child or elder care, is restricted by law in most states. Employment of ex-offenders in interstate trucking, among other areas, is prohibited by federal law as well.

²⁰ In Holzer *et al.* (2001), we compare the numbers of jobs potentially available to ex-offenders to the supply of the latter in the population. Our analysis suggested that, while there may be sufficient jobs available to them in the aggregate, the very high concentration of ex-offenders among young black men in low-income neighborhoods makes it much more likely that a “mismatch” exists between the numbers of jobs available and the potential numbers of ex-offenders who need to find them.

inclined to do background checks than are those with similar preferences but greater sophistication and resources.²¹

Since some employers gain more information about the tendency of individual applicants to engage in crime or be incarcerated than do others, we would expect differences in overall hiring behavior and outcomes that are associated with such activity. More specifically, those who do not want to hire ex-offenders but who do not engage in criminal background checks should, all else equal, engage in more statistical discrimination and hire fewer black men than those who have similar preferences but who do check backgrounds.

We present some data on this issue in Figure 7. The figure presents data on the percentages of recently filled noncollege jobs into which black men were hired, according to whether or not the firm performs background checks (“sometimes” or “always”) and/or whether or not they state a willingness to hire ex-offenders (“definitely” or “probably”). Since the ability or willingness of firms to hire black men should vary according to many other characteristics as well – some of which are observed in our data and some not – a comparison of how the hiring of black men varies by the use of criminal background checks among those willing to hire ex-offenders v. those not willing to constitutes a “difference-in-differences” method of controlling for these other determinants of hiring behavior.²²

The data in Figure 7 show a small overall difference in the hiring of black men between employers who are willing to hire ex-offenders and those who are not. Among employers that are

²¹ For evidence on how employer size and Affirmative Action are associated with employer hiring behavior, and especially recruiting and screening practices, see Holzer (1998) and Holzer and Neumark (2000).

²² In other words, if the tendency to check criminal backgrounds just happens to be correlated with other characteristics of firms or their employers, these characteristics should be captured by the difference in hiring outcomes between those who check and those who do not among those who are willing to hire offenders. Subtracting this difference from the comparable one among those not willing to hire should help to isolate the true effects of checking backgrounds relative to those that reflect other unobserved differences between employers. For a more complete analysis that also uses regression equations to control for observable differences across firms see Holzer *et. al.* (2001a).

willing to hire, 11 percent of recent hires are black males compared with 8.9 percent for unwilling employers.²³ This difference, however, is considerably larger among firms that do not check criminal backgrounds. Among firms who perform checks, there is virtually no difference in the percent of recent hires that are black. Among firms that do not perform checks, the proportion of recently filled jobs going to black males is 4.6 percentage points lower among firms that are unwilling to hire. This difference is significant at the one percent level of confidence, as shown in Table A.1.

The data can be summarized alternatively by comparing outcomes for establishments that check to establishment that do not within groups defined by stated hiring preferences. Overall, 10.2 percent of recently filled jobs went to black males at firms that check, while the comparable figure for firms that don't check is 8 percent. Among firms willing to hire ex-offenders, there is no statistically discernable effect of checking on the proportion of hires that are black males. Among firms unwilling to hire, however, the percent of new jobs going to black males is 5.6 percentage points higher than the percent of jobs filled by black males at firms that do not check (significant at the five percent level of confidence).

Subtracting the impact of background checks among firms that are willing to hire to the comparable effect among firms that are unwilling to hire provides our “difference-in-difference” estimate of the impact of criminal background checks on the propensity to hire black males.²⁴ As can be seen, the effect of a background check is larger for firms that are unwilling to hire, yielding a positive difference-in-difference estimate of 4.4 percentage points (estimate significant at the 10 percent level), as shown in Table A.1.

²³ We provide Table A.1 in the appendix to show the precise estimates of the differences in hiring black males in firms that check criminal backgrounds and don't check, in firms that are willing to hire ex-offenders and those that are unwilling, and the differences-in-differences of these.

How large is our estimate, relative to the gap in employment rates between young white and black men? Our earlier figures imply that about 28 percent of employers do not want to hire those with criminal records and also do not check backgrounds; the reduction in their willingness to hire black men reduces the overall hiring of the latter by $.28 \times .044$, or about 1.2 percentage points. Since these men constitute about 9 percent of overall new hiring in these metropolitan areas, the implied reduction in their employment constitutes a reduction in the overall demand for black male labor by about 12 percent (i.e., $1.2/(9+1.2)$).²⁵

Furthermore, since the overall employment rate of less-educated young black men currently is about .52 (see Holzer and Offner paper, this volume), we can attribute as much as 6 percentage points ($.52 \times .12$) of the employment gap between young white and black men to such statistical discrimination, which would account for about one-fifth of the overall racial gap in employment that is currently observed.

Thus, the data suggest that employers who are unwilling to hire ex-offenders but who do not check for criminal backgrounds engage in a form of “statistical discrimination” against black men more broadly, based on their aversion to hiring offenders as well as their very limited information about exactly which individuals in their applicant pool have this characteristic. Such discrimination might contribute quite significantly to the observed employment gaps between young white and black men.

V. Conclusion

²⁴ This can also be calculated by the effect of being unwilling to hire ex-offenders among firms that do not check from the comparable effect for firms that do check.

²⁵ Of course, the extent to which lower labor demand results in lower employment rates or lower wages for any group in question will depend on the relevant elasticities of labor demand and supply for that group. The more elastic the labor supply curve is for any group, or the more rigid their wages are, the more likely it is that labor demand shifts are reflected in their employment rates.

In this paper we document the very high level of incarceration of young black men, and how it has risen over time. We then review the previous empirical evidence on the relationship between crime or incarceration and the employment of young black men. While some relationship clearly exists, a variety of reasons are provided for why the true relationship may be stronger than what we have observed in various studies to date.

We also present new evidence from a survey of employers on the relationships between employer willingness to hire ex-offenders, their tendency to check criminal records, and the extent to which they hire black men. The data above suggest that the high rates of crime and incarceration among young black men will limit the employment opportunities of those who directly engaged in such behavior, and may also indirectly limit the employment opportunities even of those who do not engage in such behavior. This is due principally to the fact that employers with imperfect information about individual backgrounds are likely to engage in a form of statistical discrimination against black men more broadly.

Whether or not these barriers have grown greater or lesser over time, and the extent to which they might account for observed trends in employment for different age groups among young black men, remain somewhat uncertain to date. Nevertheless, the data strongly imply that the growing presence of ex-offenders among low-income black men will have serious negative consequences for employment rates.

It is possible that employers have grown more willing to hire ex-offenders, because of the very tight labor markets of the late 1990's, though our data have not suggested this to date.²⁶ Our data also suggest that employers have grown more willing to engage in criminal background checks, as the internet makes it easier to do so. If so, this could improve the employment

prospects of less-skilled young men more broadly, even while it makes it more difficult for those who have truly been offenders in the recent past.

To the extent that employers have more information about criminal backgrounds, it is critically important that the information be accurate. For instance, internet providers of criminal background information to employers do not always distinguish *arrest* from *conviction* information, though only the latter should inform employer decisions; and even the conviction information might have errors.

Furthermore, providing employers with more information about the exact nature of the offense (i.e., whether it was a non-violent drug offense or something else), when it occurred, and the individual's record since the time of the conviction might help soften their negative attitudes – especially when labor markets are tight.²⁷ To the extent that offenders may have engaged in more positive activities, including training or employment, during their time of incarceration and especially since their release, this additional information might be particularly useful in overcoming employer reluctance to hire them.

What all of this suggests is that a potentially important role might be played by certain types of labor market intermediaries in bridging the wide gaps that initially exist between ex-offenders and employers. These intermediaries might provide important case management services to the offenders themselves, to overcome the many barriers they face in finding jobs – such as very limited skills and work experience, residence in poor neighborhoods that limit access to employers and to networks, substance abuse problems, etc. They then can reach out to employers, and try to place those ex-offenders who meet certain levels of job-readiness into

²⁶ Our most recent survey evidence so far on this question is from early 1999. It is possible that willingness to hire ex-offenders grew the most over the subsequent two-year period, as the economic boom proceeded and other potential sources of low-wage labor became more fully exhausted.

appropriate jobs for them. The information that they provide to employers at this stage about the qualities of the job applicants, and their experiences since release, can be crucial. Supportive services, including transportation and post-employment counseling, can also be provided once the “match” with an employer has been made.

In fact, a number of private non-profit organizations already play this role at the local level in many metropolitan areas.²⁸ Some may emphasize job training or transitional employment experience more than others, but all play an important role in providing services to ex-offenders and information to employers.

Some major roles for public policy are suggested by this discussion as well. For one thing, the services needed by ex-offenders as they reenter society and the labor market are often quite intensive, and public funding may be needed to help provide it. One example is the group of reentry grants to localities made by a group of federal agencies (including the Departments of Labor, Justice, and Health and Human Services) during the past fiscal year; these could be reauthorized and perhaps expanded. Also, bonds are currently available at low cost to insure employers against the financial liabilities they might incur when hiring offenders, but they are very underutilized by employers at the moment.²⁹ An outreach effort to increase employer

²⁷ For instance, our survey data from Los Angeles in 2001 indicate less employer aversion to hiring those who have only been convicted of non-violent drug offenses.

²⁸ Some well-known examples include the Safer Foundation in Chicago and the Center for Employment Opportunities in New York. America Works has also begun working with the ex-offender population. All of these organizations place a premium on maintaining good relations with and trust among employers, that can only be sustained by sending carefully screened candidates who are ready to be successful employees. For further discussion see Buck (2001) and Holzer *et. al.* (2002).

²⁹ In fact, fewer than one thousand such bonds are purchased every year through the U.S. Department of Labor’s program, even though many employers indicate that legal liabilities are among their greatest concerns when hiring from this population.

awareness of them, and to make these bonds more easily available to employers, should be undertaken.³⁰

Of course, training and even employment experience for ex-offenders needn't be limited to post-release experiences. Federal law currently restricts the ability of private sector employers to use prisoners as employees, though some evidence suggests that such experience can be helpful to the prisoners upon release (Holzer *et. al.*, 2002). The restrictions and costs imposed on firms that are interested in hiring offenders should perhaps be reconsidered.³¹

Since large numbers of ex-offenders are also non-custodial fathers, efforts to link child support efforts with post-incarceration services might be crucial here. Finally, the low wages and benefits available to many of these young men suggest that efforts to subsidize their earnings, perhaps through some extension of the Earned Income Tax Credit, might be useful in raising their incentives to work.³²

³⁰ Similar steps could be taken to improve employer access to the Work Opportunity Tax Credit, which covers ex-offenders among other groups. However, the cost-effectiveness of these credits in raising employment for the targeted groups has not been well-established. For some evidence and discussion see Katz (1998).

³¹ See also Bushway and Reuter (2001) for evidence on effects of employment for those incarcerated. The Prison Industries Enhancement Act of 1979 requires that employers pay local prevailing wages when using convict labor, even though very little of this money is actually received by the convicts. Other restrictions apply as well.

³² One way to do so would be to expand the current EITC available to childless individuals.

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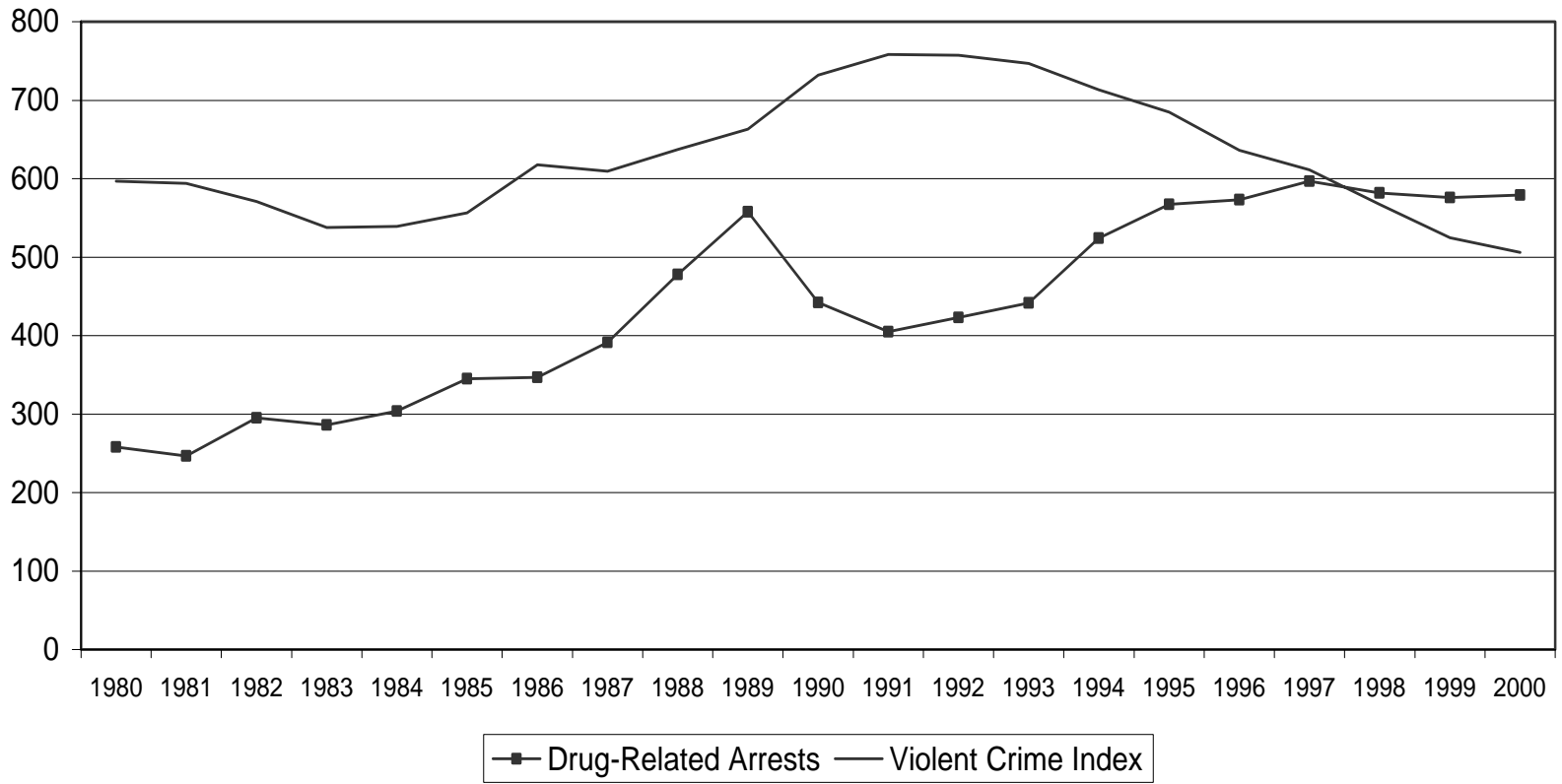
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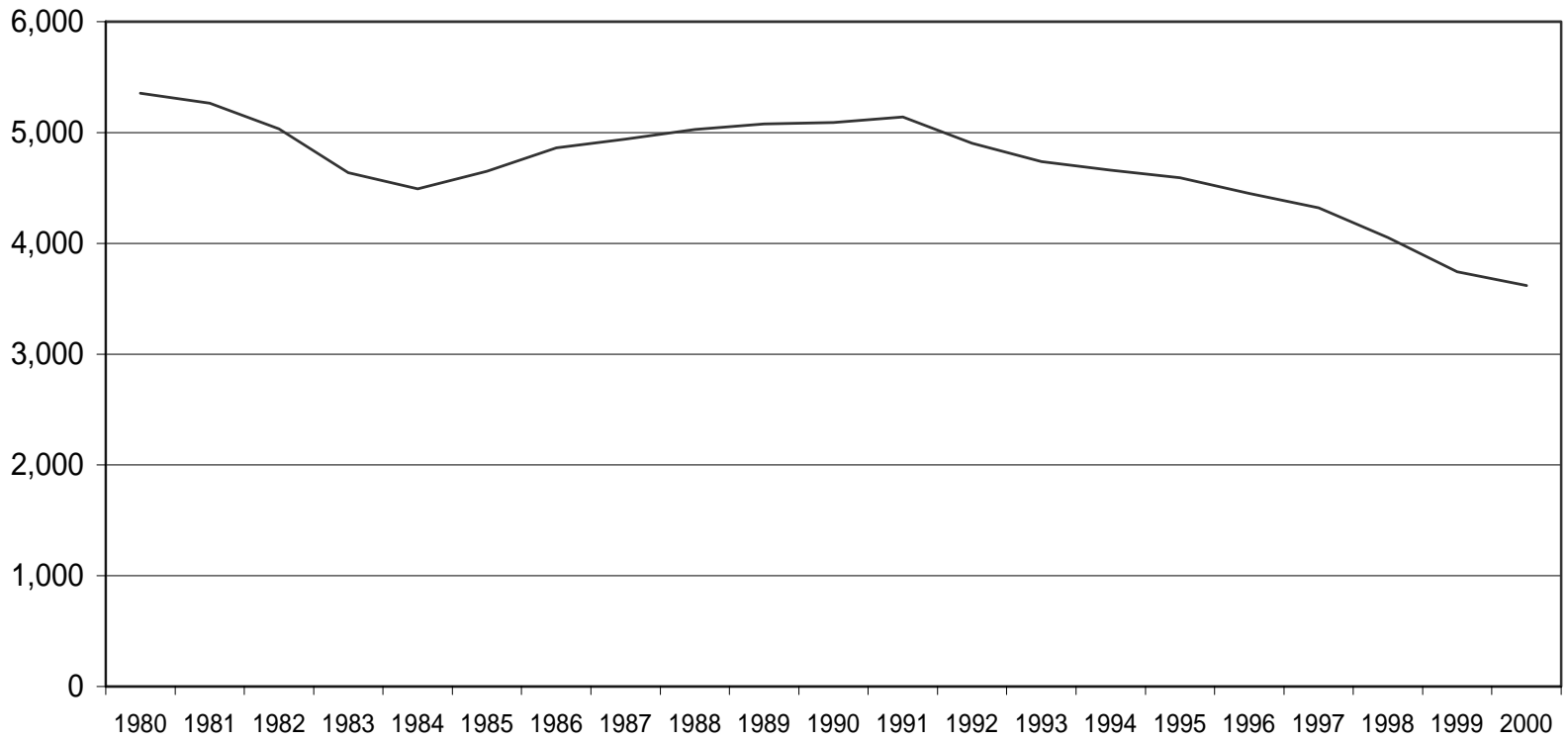
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Figure 1
Violent Crime Index and Drug-Related Arrests in the U.S., 1980 - 2000
(per 100,000 persons)



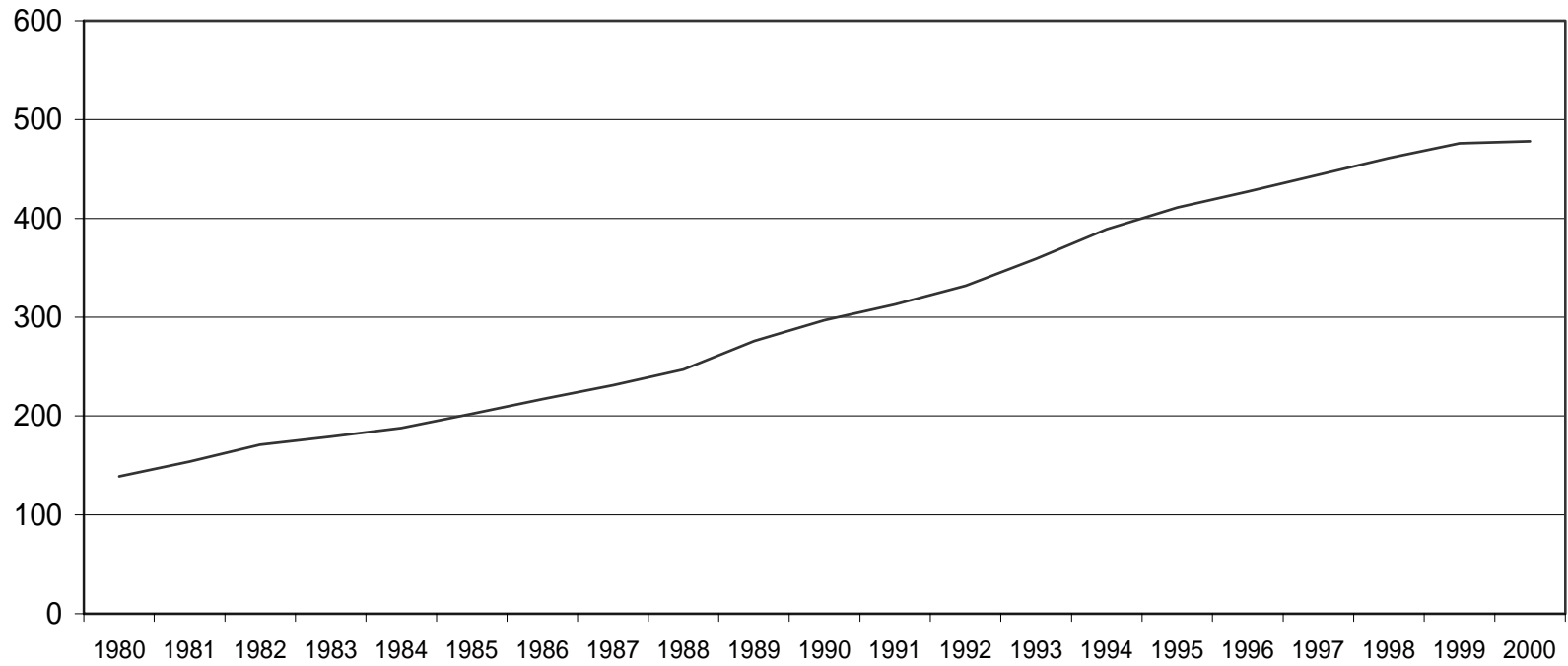
Source: FBI, Uniform Crime Reports

Figure 2
Property Crime Index in the U.S., 1980 - 2000
(per 100,000 persons)



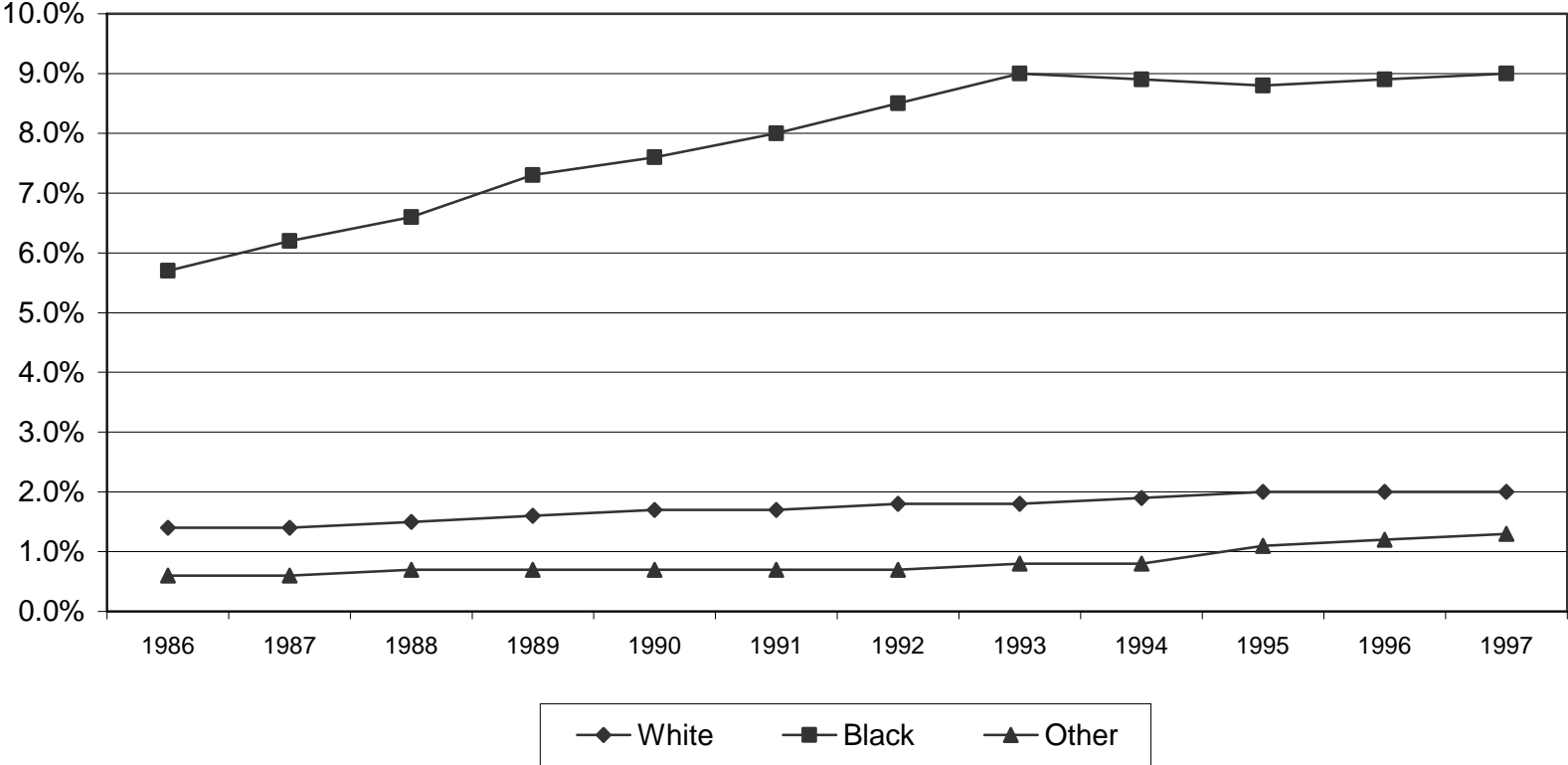
Source: FBI, Uniform Crime Reports

Figure 3
Incarceration Rate in the U.S., 1980 - 2000
(Number of offenders per 100,000)



Source: Bureau of Justice Statistics, Correctional Populations in the United States

Figure 4
Percent of U.S. Population Under Correctional Supervision



Source: Bureau of Justice Statistics, Correctional Populations in the United States

Figure 5
The Willingness of Employers to Hire Workers from Various Stigmatized Groups

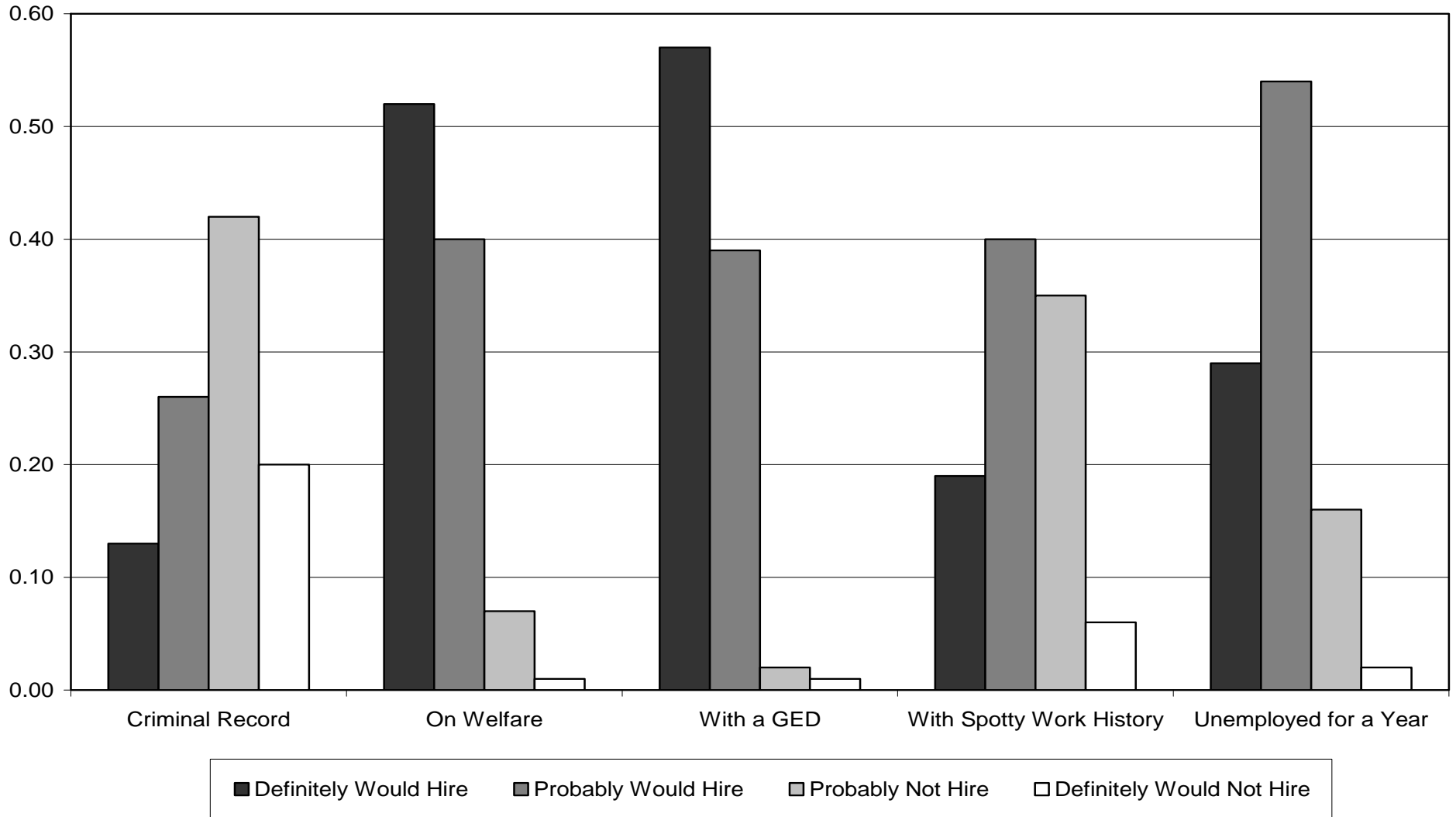
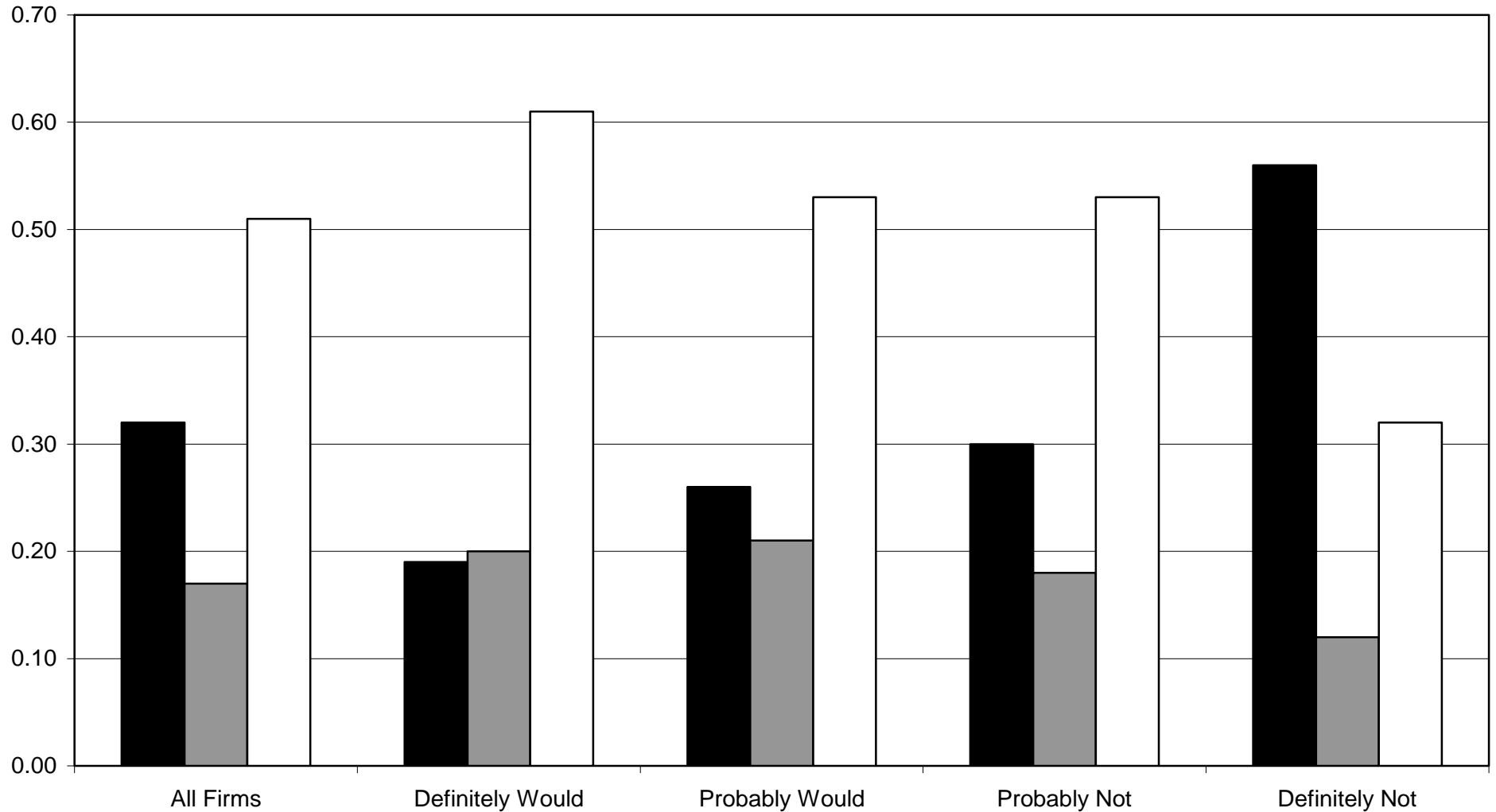


Figure 6
Employer Responses to the Question Concerning the Frequency with which the Employer Checks the Criminal Backgrounds of Job Applicants



By Firms Willingness to Hire Applicants with Criminal Records:

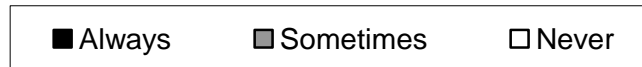


Figure 7
The Proportion of Recently Filled College Jobs Into Which Black Males Were Hired, All Firms, and by Firm Preferences for Ex-Offenders and Use of Background Checks

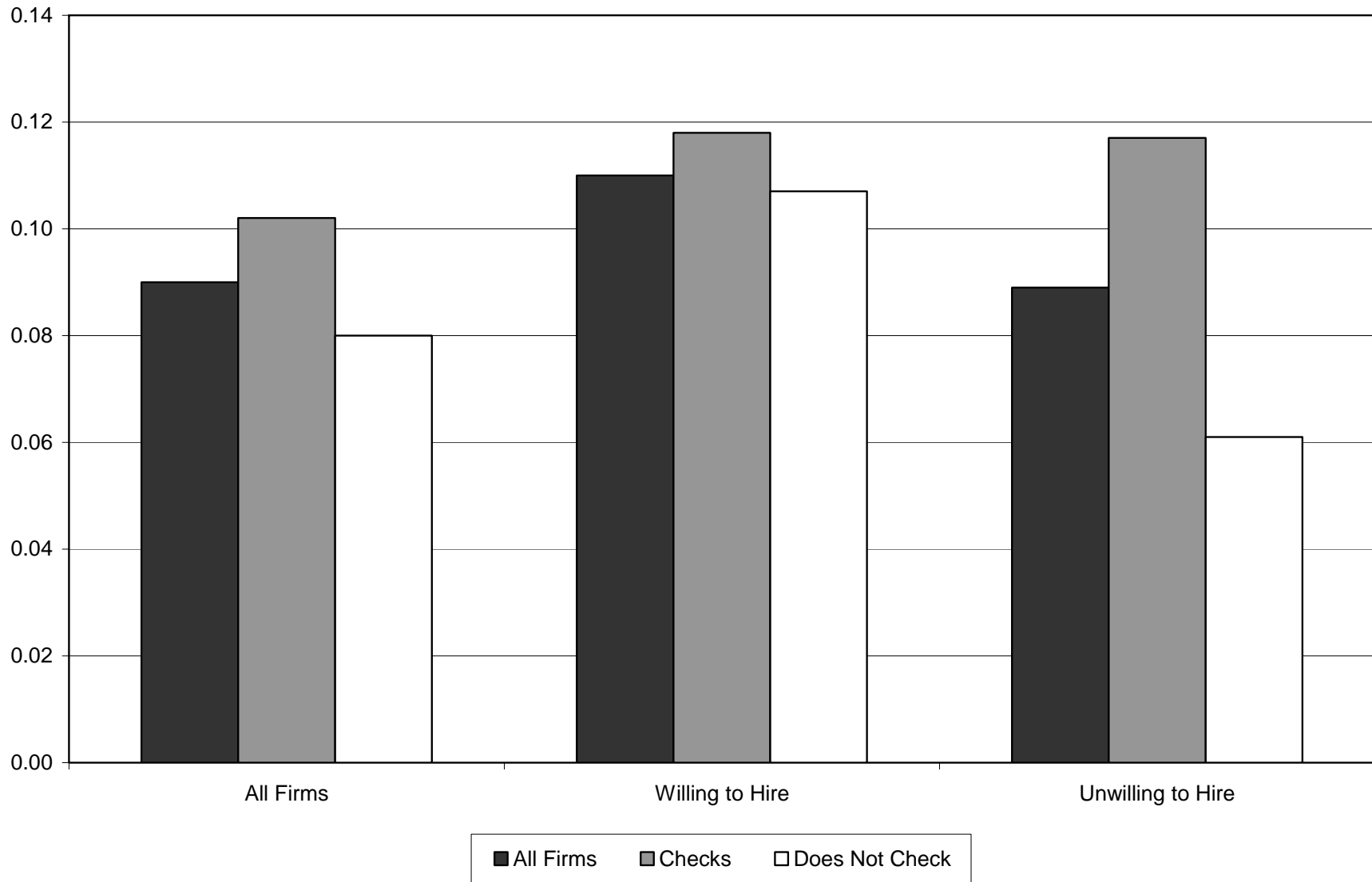


Table 1
Establishment Characteristics by Employer Self-Reported Likelihood of Hiring Applicants with Criminal Backgrounds Crossed with Whether the Employer Checks the Criminal Backgrounds of Job Applicants

	Willing to Hire, Doesn't Check	Willing to Hire, Checks	Not Willing to Hire, Doesn't Check	Not Willing to Hire, Checks
Size, Industry, Spatial Location, and Race of hiring Agent				
Size				
< 20 employees	0.33	0.24	0.45	0.29
20-99 employees	0.33	0.31	0.33	0.32
100-499 employees	0.29	0.27	0.18	0.27
500-999 employees	0.03	0.07	0.02	0.06
1000+ employees	0.03	0.11	0.02	0.07
Industry				
Mining	0.00	0.00	0.00	0.00
Construction	0.03	0.03	0.02	0.02
Manufacturing	0.38	0.19	0.22	0.11
TCU	0.04	0.07	0.05	0.07
Wholesale Trade	0.08	0.08	0.10	0.05
Retail Trade	0.16	0.18	0.20	0.17
FIRE	0.04	0.04	0.09	0.16
Services	0.26	0.36	0.30	0.36
%Union	11.99	17.28	8.22	19.59
Central City	0.26	0.32	0.28	0.27
Black Hiring Agent	0.05	0.08	0.03	0.07
Distance Black	18.21	17.22	17.82	17.45
Distance White	22.89	22.26	22.35	22.60
Recruitment Methods Used				
Help Wanted Signs	0.24	0.34	0.21	0.28
Newspaper Ads	0.43	0.50	0.45	0.53
Walk-ins	0.72	0.80	0.64	0.70
Referrals from				
Current Employees	0.82	0.86	0.80	0.85
State Agency	0.36	0.50	0.24	0.36
Private Agency	0.20	0.25	0.19	0.20
Community Agency	0.23	0.35	0.20	0.28
School	0.31	0.42	0.29	0.41
Union	0.05	0.10	0.03	0.09
Uses affirmative action to Recruit	0.52	0.64	0.43	0.60

Screening Methods

Drug Test/PhysicalExam	0.11	0.24	0.11	0.21
Aptitude Test	0.07	0.13	0.13	0.15
Knowledge Test	0.15	0.20	0.15	0.17
Personality Test	0.04	0.06	0.07	0.08
Background Checks				
Criminal Background	0.00	1.00	0.00	1.00
Education	0.57	0.82	0.55	0.81
References	0.91	0.98	0.94	0.98

Daily Job Tasks

Customer Contact	0.43	0.59	0.57	0.70
Phone Conversations	0.47	0.50	0.58	0.53
Reading	0.55	0.55	0.50	0.58
Writing	0.28	0.28	0.31	0.31
Math/computations	0.65	0.64	0.69	0.63
Computer Work	0.46	0.48	0.55	0.51

Job Qualifications

High School Diploma	0.60	0.69	0.73	0.77
Recent Work Experience	0.67	0.66	0.68	0.71
Specific Experience	0.60	0.58	0.61	0.61
References	0.62	0.75	0.71	0.78
Vocational Education	0.39	0.39	0.38	0.39

Very Important Requirement of New Employees

Physically Attractive	0.08	0.12	0.12	0.14
Physical Neatness	0.42	0.49	0.59	0.56
Polite	0.70	0.72	0.82	0.81
Verbal Skills	0.53	0.55	0.65	0.66
Motivation	0.59	0.73	0.78	0.74
Speaks English	0.46	0.47	0.62	0.60

Type of Applicants that Would Probably Not Be Hired

On Welfare	0.03	0.04	0.15	0.11
With GED	0.01	0.02	0.07	0.04
Spotty Work History	0.30	0.32	0.54	0.45
Unemployed for a Year	0.12	0.10	0.26	0.19

All figures use the sample weights. Employers who answer that they 'definitely will' or 'probably will' hire applicants with criminal histories are coded as willing. Employer who check criminal background 'always' or 'sometimes' are coded as checking.

Table A.1**The Proportion of Recently Filled College Jobs Into Which Black Males Were Hired, All Firms, and by Firm Preferences and Use of Background Checks**

	All Firms	Willing to hire	Unwilling to hire	Δ (Unwilling - Willing)
All Firms	0.097 (0.006)	0.110 (0.010)	0.089 (0.007)	-0.021 (0.012)*
Checks	0.117 (0.009)	0.118 (0.016)	0.117 (0.011)	-0.001 (0.019)
Does not check	0.080 (0.007)	0.107 (0.13)	0.061 (0.009)	-0.046 (0.016)***
Δ (Checks – Doesn't)	0.036 (0.012)**	0.011 (0.021)	0.056 (0.015)**	0.044 (0.024)*

Standard errors are in parentheses. Firms that always check or sometimes check criminal backgrounds are coded as checking. Firms that state that they 'definitely will' or 'probably will' hire a worker with a criminal background are coded as willing to hire, while firms stating 'probably not' or 'absolutely not' are coded as not willing.

* Difference significant at the 10 percent level of confidence.

** Difference significant at the 5 percent level of confidence.

*** Difference significant at the one percent level of confidence.
