

ABSTRACT

AN ECONOMIC ANALYSIS OF PRISON LABOR

By

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This dissertation will focus on prison work programs and prisoner rehabilitation. In particular, a program evaluation of the federal inmate labor program, the Prison Industry Enhancement Certificate Program (PIE), will be conducted in order to investigate how this program affects recidivism and labor market outcomes of offenders.

This dissertation will contribute to the literature in two ways. First, it develops a simple theoretical model that incorporates prison labor into its framework in order to analyze how prison labor affects crime participation. The model suggests that the criminal's problem is recursive. Therefore, the criminal will first decide how much time to allocate to legal activities, and then choose the optimal time allotment to illegal endeavors. The model shows that it is theoretically possible that participation in PIE could increase recidivism through wages if an increase in the wage rate causes the consumption of illegal activity to increase by more than the consumption of legal endeavors. The decision to commit a crime will be a function of the expected unemployment rate, the subjective probability of detection and conviction, legal labor market activity, the penalty for illegal activity, gains from illegal activity, nonwage income or

wealth, the subjective probability of legal work while in prison, severity of punishment, and tastes.

Second, it will empirically investigate how prison labor programs that approximate real world employment opportunities affect the decision to commit a crime upon release from prison, as well as post-release employment outcomes of the offender. In particular, using a unique dataset collected on participants in the PIE program across various states, this dissertation investigates how the PIE program affects recidivism and labor market outcomes compared to those who do not participate in the program. While, Smith, Bechtel, Patrick, Smith, and Wilson-Gentry (2006) is the only other research to use these data to analyze the effects of this program on recidivism and labor market outcomes, their analysis does not fully utilize control variables. The results of this study indicate that the PIE program significantly increases the time from release to arrest, significantly increases employment duration, and significantly increases earnings of the ex-offender.