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Prisons, jobs and privatization: The impact of prisons on employment growth in rural US counties, 1997–2004

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ABSTRACT

In this study of prison privatization we draw on the insights of a recent body of literature that challenges a widespread belief that prisons help to spur employment growth in local communities. We look to these studies to provide an empirically and theoretically grounded approach to addressing our research question: what are the benefits, if any, to employment growth in states that have privatized some of their prisons, compared to states with only public prisons? Our research makes use of a large, national, and comprehensive dataset. By examining the employment contributions of prisons, as recent research has done, we were able to corroborate the general findings of this research. To study prison privatization we distinguish between states in which privatization has grown rapidly and those states in which privatization has grown slowly (or not at all). Our findings lend support to recent research that finds prisons do not improve job prospects for those communities that host them. We contribute to this literature by demonstrating that new prisons in states in which privatization is surging impede employment growth in the host community. To explain this we highlight the significant reduction in prison staffing – in both private and public prisons – where privatization is growing quickly.

1. Introduction

This article focuses on the intersection of three trends in criminal justice and local economic development. First, in absolute and relative terms, the United States has dramatically expanded the number of prisons and prisoners. Fueled by "get tough on crime" policies (Dyer, 2000), incarceration rates soared. In 2010, over 1.6 million individuals were incarcerated, with an incarceration rate of approximately 500 per 100,000 (US Department of Justice, 2012). While this incarceration rate is slightly lower than the peak (506 per 100,000 in 2007), this represents a dramatic increase relative to the 1970s and one of the highest in the world. To accommodate this growth, correctional officials filled prisons beyond their capacity (Besser and Hanson, 2005), converted old buildings to prisons, transferred inmates to correctional institutions in other states, and constructed new facilities (Lawrence and Travis, 2004). Second, over this same period, state and local governments have privatized a number of public services – including corrections Gaes et al., 2004; Hallett, 2006; Logan, 1990; Shichor, 1995). Third, a disproportionate number of new prisons were built in nonmetropolitan counties. Rural counties and communities aggressively campaigned to attract prisons. As Besser and Hanson (2005:2) note, "what had been viewed as a LULU [locally undesirable land use] became a last resort for promoting economic development."

The sharp recession that began in 2008 – and the enormous pressure placed on state and local budgets – has stalled and may lead to a reversal of the incarceration trend (Coleman, 2008; Lotke, 2008). Even before this recession, the local benefits

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of prison expansion have been called into question (Besser and Hanson, 2005; Gilmore, 2007; Glasmeier and Farrigan, 2007; Hooks et al., 2004, 2010; King et al., 2004). The pervasive finding in recent research – that prisons bring few if any economic benefits – contradicts the hype surrounding prisons. But this finding is consistent with Eason's (2010) assertion that prison-building has compounded problems for struggling rural communities. Even if the rate of incarceration declines, the privatization of prisons will likely continue (Burnett, 2011; Caputo, 2011; Vardon, 2011). In fact, Corrections Corporation of America (CCA) recently extended an offer to buy prisons from cash-strapped states. This offer is contingent on a commitment to have CCA manage the prisons for 20 years and that the facility is at least 90% full over the period (Kirkham, 2012). Whereas supporters of privatization tout savings for the public sector and attractive employment options for nearby residents, critics dispute these claims and stress the profits flowing to out-of-state corporations. Our research is focused on privatized prisons and employment. To the extent that privatization delivers on the promise of lowering costs, it does so by reducing labor costs. As such, it is possible that private prisons generate fewer secure and well-paying jobs than comparable prisons managed by the public sector. In turn, the counties hosting private prisons are less likely to experience a net increase in employment when a prison opens.

To establish a baseline for comparison, we use measures and methods that have been employed to examine the relationship between prisons and local economic trends (Hooks et al., 2004, 2010). We then distinguish between states in which the privatization of prisons has grown rapidly and those states in which privatization has grown slowly. Consistent with trends in the literature, our empirical research provides no evidence that prisons contribute to local economic growth. Specific to private prisons, our analyses provide evidence that they have a negative impact on host counties. Where privatization is increasing at a rapid rate, we find a negative and significant relationship between prisons and local job growth.

2. Private prisons and local employment trends

"Privatization" refers to the transfer of state managed and owned bureaucracies – and the public function they serve – to private management and ownership (see Sclar, 2000). In important respects, critics and proponents of privatization agree about the mechanisms through which privatization reduces costs. Public bureaucracies are labor intensive, the savings (if any) will come from reducing outlays for labor. The executives of firms bidding on privatization contracts receive lucrative compensation (Mattera et al., 2003). As such, cost saving must come from other levels of the organization: fewer employees, fewer full-time employees and lower salaries.

"Market fundamentalism" refers to a strong adherence to an idealized free market and a belief that markets should be sheltered from political intervention and operate "freely" (see Somers and Block, 2005). For fundamentalists, unfettered markets offer the most efficient, highest quality, and most cost effective means of responding to human needs and desires. Unleashing the pressures of supply and demand "enforces efficiency by virtue of [the ability of buyers] to cease transacting with one provider in favor of another" (Hallett, 2006: 134). For proponents of privatization, the pressure of competition and avoidance of suffocating civil service rules insures that privatization will lower costs while maintaining or improving service delivery. Because private corporations can hire and fire personnel with fewer constraints, privatization allows for more nimble and responsive management than is possible with an ossified public bureaucracy.

Skeptics doubt that private prisons will display creativity and fresh thinking. Managers of private prisons are constrained by corporate executives and by a board of directors focused on profitability and growth. Moreover, all prisons must conform to the complex legal and political framework that constrains prison management (Ogle, 1999, p. 588). These cross-cutting pressures will likely result in private prisons mimicking publicly managed prisons. In a study sponsored by the Department of Justice, Austin and Coventry (2001) found little evidence of organizational innovation. With regard to budgetary savings, private prisons achieved "modest cost savings, at least initially, by making modest reductions in staffing patterns, fringe benefits, and other labor-related costs.... The promises of 20-percent savings in operational costs have simply not materialized" (Austin and Coventry, 2001, p. 58).

Critics are not surprised to find few cost savings. But problems go further. This is not the first time that prisons have been privately run in the United States – and the record is disturbing (Durham, 1993; see also ACLU of Ohio, 2011; Walker, 1994). "History shows that privately operated prison facilities were plagued by problems associated with the quest for higher earnings. The profit motive produced such abominable conditions and exploitation of the inmates that public agencies were forced to assume responsibility" (Austin and Coventry, 2001, p. 17). With the emphasis on reducing labor costs, there is no reason to expect that contemporary private prisons will avoid such abuses. For the present purposes, this larger debate over prison privatization provides a context for considering local employment impacts. If the defenders are correct when they paint a positive view of working conditions, then host counties should be better off for housing a private prison (or at a minimum, no worse off). If, however, the critics are correct when projecting fewer jobs – and if these jobs pay less and are less secure than at public prisons – then host counties may be significantly worse off for housing a private prison.

2.1. Prisons and employment growth

As incarceration increased in the 1980s and 1990s, economic developers and policymakers espoused the virtues of this "industry" and promoted it to solve local economic problems. Communities, especially rural communities, competed fiercely to "win" prisons by offering large, public subsidies (Beale, 1997; Glasmeier and Farrigan, 2007; King et al., 2004). Academics,