



Incarceration, Employment, and Earnings Among Fathers in Fragile Families

Background

For nearly three decades, the United States has employed crime control policies that have resulted in a tremendous expansion of its prison population. Between 1980 and 2005, the U.S. prison and jail population increased over fourfold, from about 500,000 to 2 million inmates. By the end of 2001, over 5.5 million American adults – one in 37 – had been incarcerated in state or federal prison in their lifetime. Among men without a college education, nearly 4 percent of whites and 20 percent of blacks were in jail on an average day in 2000.

With the growth in the U.S. prison population has come a growth in the number of inmates attempting to reenter society. Since 1996, more than 500,000 prisoners have left prisons and jails each year. By 2010, as many as 1.2 million inmates are expected to be released. Former prisoners often return to struggling communities where they have difficulty securing stable employment, housing, and social services needed for successful reintegration. Two-thirds are re-arrested and one-half return to prison within three years of their release.

Stable employment and wages play an important role in former prisoners' ability to successfully reintegrate into their communities, but many former prisoners are poorly equipped to secure employment. Those who spend time in prison lose out on important on-the-job training and work experience. Incarceration may harm a person's motivation, communication skills, and ability to accept authority, all of which are important for maintaining a job. Criminal records also create a stigma that discourages prospective employers.

Estimating the causal effect of incarceration on employment and earnings is difficult, however, because individuals who eventually enter prison are likely to have characteristics associated with poor labor market outcomes that existed prior to their time in prison—limited schooling, mental health issues and substance abuse problems, among other things. While most studies to date confirm that incarceration does in fact reduce employment and earnings, the magnitude of these effects varies depending

on the study and methods used. This brief summarizes the results of two recent papers that use data from the Fragile Families and Child Wellbeing Study to estimate the effect of incarceration on the wages and employment of a sample of mostly poor young fathers.

Data and Methods

Both papers utilize data from the Fragile Families Study, which interviewed mothers and fathers at the time of a child's birth, and then around the time of the child's first and third births (the year 1 and year 3 follow-ups). The papers use mothers' as well as fathers' reports to assess whether fathers have ever been incarcerated. By using information from both parents, researchers reduce the under-reporting of criminal activity that is common in surveys that rely only on self-reports. If either the mother or the father reports that the father was ever incarcerated, he is considered "ever incarcerated". By the year-one survey, 38 percent of unmarried fathers had spent time in prison.

One paper looks only at *year one outcomes for unmarried fathers* ($N \sim 2,400$), examining current employment, hourly wages, annual earnings from regular employment, hours worked per week, participation in the underground economy and annual earnings from the underground economy. The second paper examines *year three outcomes for the full sample of fathers* (married and unmarried ($N \sim 3,300$)), examining current employment and hourly wages.

In this research brief, we combine the two papers to determine whether different methodologies yield similar results. Most importantly, the papers differ in the strategies employed to deal with pre-existing differences between fathers who have and have not experienced incarceration. The paper using the full sample of fathers relies primarily upon the rich data in the Fragile Families study to estimate each father's propensity (or likelihood) of being incarcerated, based on his cognitive ability, impulse control, depression, and drug and alcohol problems, whether the father knew his own father growing up, earnings and work histories, previous participation in underground work and any reports of domestic abuse at

the baseline survey. The study of unmarried fathers takes two approaches to deal with pre-existing differences. First, labor market outcomes are modeled as a function of an extensive set of control variables using ordinary least squares (OLS) or logistic regression where appropriate. Next, the researchers use differences in state incarceration rates to predict the likelihood of incarceration. Individuals living in high-incarceration states are more likely to spend time in prison or jail than their counterparts in low-incarceration states. However, it is highly unlikely that state incarceration rates have any independent effect on individuals' employment outcomes. The study therefore uses state incarceration rates as an instrumental variable to predict whether a father would have been incarcerated holding constant their employment potential. Outcome differences between the two groups of men are attributed to the effects of incarceration. Below, we present results from the OLS and logistic models with extensive controls in the text and table and note when instrumental variable estimates differ.

Results

Table 1 summarizes the results for the two studies. Both studies find that incarceration has a negative impact on labor market outcomes of both married and unmarried fathers. First, for unmarried fathers, having spent time in prison reduces the odds of working at the year-one survey by between one-half and two-thirds. In the full sample of

fathers, incarceration reduces the odds of working at the year-three survey by approximately one-third to one-half. Earnings suffer as well; among unmarried fathers those previously incarcerated earn 28 percent less annually from regular employment than fathers who have never been incarcerated.

Lower annual earnings may be due to less employment and/or lower wages. The paper on unmarried fathers finds that these men work 3.6 fewer weeks per year and work one half-hour less per week if they have been to prison, though the latter result is not statistically significant. There is also evidence that incarceration reduces hourly wages. In the full sample, wages are approximately 14 to 26 percent lower for previously incarcerated fathers as compared to never incarcerated fathers. Among unmarried fathers, OLS estimates indicates wages do not significantly differ, but instrumental variables estimates show a significant reduction of 16 percent (not shown).

In addition, fathers who have been in prison may be more likely to engage in off-the-books work. Focusing on unmarried fathers, the OLS results show that those who have been incarcerated are 50 percent more likely to work in the underground economy than fathers who have never been incarcerated, and they earn 66 percent more in underground work per year than fathers who have not been imprisoned. However, results from the alternative analysis (the instrumental variables analyses) indicate that incarceration does not influence either off-the-books

Table 1. Summary of Incarceration Effects on Labor Market Outcomes

	Unmarried Fathers, Year 1 Outcomes	Married + Unmarried Fathers, Year 3 Outcomes
Currently Working	43%–66% reduction in odds*	33%–55% reduction in odds*
Annual Earnings	28% reduction*	N/A
Hourly Wages	4% reduction [^]	14.5–26.4% reduction*
Weeks Worked Per Year	3.6 fewer weeks*	N/A
Hours Worked Per Week	.56 hours less [^]	N/A
Underground Employment ²	53% increase in odds*	N/A
Underground Earnings ²	66% higher*	N/A

* Effect of incarceration is statistically significant at the 5 percent level.

[^] Effect of incarceration is not statistically significant at the 5 percent level.

"N/A" indicates the outcome was not explored for that sample.

1. Results from instrumental variables estimates for hourly wages are significant.

2. Results from instrumental variables estimates for underground work are insignificant.

employment or earnings.

Conclusions and Policy Implications

The two papers summarized in this brief examined the effects of incarceration on the labor market outcomes of married and unmarried fathers. Consistent with previous research, researchers find strong evidence that spending time in prison reduces the likelihood of work and the level of earnings and wages. These findings are consistent with earlier studies which generally report a 10 to 30 percent loss in annual earnings and a 25 to 30 percent reduction in the probability of working associated with imprisonment.

These results require two qualifications. First, a sample restricted to fathers reduces the generalizability of results. However, about 55 percent of prisoners are in fact parents of minor children, indicating that these results will be applicable to a large portion of the prison population. Second, previously incarcerated fathers differ from never incarcerated fathers in many ways (e.g. race, education, family background, impulse control) and thus the possibility always exists that researchers have not

fully accounted for other important characteristics that determine both incarceration and poor outcomes.

Incarceration clearly has high costs for both the imprisoned individual and society as a whole. State governments spend more than \$22,000 per year on average to house an inmate. In 2001, annual state correction costs were \$38.2 billion, an average of \$134 per resident. Incarceration, education, health care, and other important programs compete with one another for government funding. Policy makers can address the high costs of imprisonment by reducing recidivism rates and improving post-imprisonment job opportunities through rehabilitation programs, additional drug and mental health services, more employment training, and by giving offenders the opportunity to expunge their records after prison. Additionally, reducing incarceration for non-violent drug offenders may be in order. Instead of mandatory minimum sentencing laws, employing technology to develop unique monitoring strategies for community-based sanctions, enhancing juvenile delinquency prevention, and generally improving inner-city schools can have a profound impact on societal and individual costs.

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The following comprises a list of the most recent Working Papers authored by the Center for Research on Child Wellbeing (CRCW) faculty and research associates. A complete list of Working Papers is also available for viewing and downloading on the CRCW web site: <http://crcw.princeton.edu/publications/publications.asp>

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2007-10-FF: Jean Knab, Irwin Garfinkel, Sara McLanahan, Emily Moiduddin, Cynthia Osborne “The Effects of Welfare and Child Support Policies on the Timing and Incidence of Marriage following a Nonmarital Birth”

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2006: Lawrence Berger, Jeanne Brooks-Gunn, Christina Paxson, Jane Waldfogel “First-Year Maternal Employment and Child Outcomes: Differences Across Racial and Ethnic Groups”

2006: Christina Gibson-Davis, Jeanne Brooks-Gunn “The Association of Couples’ Relationship Status and Quality With Breastfeeding Initiation”

FRAGILE FAMILIES RESEARCH BRIEF

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Inside...

This research brief uses data from the Fragile Families and Child Wellbeing Study to examine the effects of incarceration on fathers' employment and earnings.

For more information about the Fragile Families and Child Wellbeing Study, go to <http://www.fragilefamilies.princeton.edu> and go to "About Fragile Families" and "Collaborative Studies." To review public and working papers from the Fragile Families Study, go to <http://www.fragilefamilies.princeton.edu/ffpubs.asp>.

This research brief was based on: Lewis, Charles E. Jr., Irwin Garfinkel and Qin Gao. (Forthcoming in 2007). "Incarceration and Unwed Fathers in Fragile Families." in the *Journal of Sociology and Social Welfare* and Geller, Amanda, Irwin Garfinkel, and Bruce Western. (2006). "The Effects of Incarceration on Employment and Wages: An Analysis of the Fragile Families Survey", working paper, CRCW. The Fragile Families Research Brief series is funded by a grant from the Annie E. Casey Foundation.

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