



National Institute of Justice

P r o g r a m F o c u s

Work in American Prisons:

Joint Ventures with the Private Sector



Work in American Prisons: Joint Ventures with the Private Sector

by George E. Sexton

It's 6 o'clock on Monday morning, still dark outside, when the alarm goes off and John Doe struggles out of bed. He's in and out of the shower in a minute and then nearly cuts himself shaving, he's in such a hurry. He promised a couple of the other guys on the company softball team that he'd meet them for

breakfast, but he's already running behind and can't afford to be late for work. It'll just have to be coffee and a quick donut on the run.

Just after he has punched in at 7 a.m., Denise Loftus, the Section Three supervisor, calls John and the other members of his work team to go over the day's production schedule. Northern Telecom just put in a rush order for a thousand co-axial cables, so they'll have to work with Section Five if they're going to make the Friday shipping date.

After the meeting, John sets up the work team's hand tools and production boards, while some of his crew rush off with the bill-of-materials to get the parts they need for the job. As soon as they get back, the whole team will start assembling the cables. They want to get started by 7:30 a.m.

By 8 a.m. the shop is humming, and it will stay that way until noon, when everyone breaks for lunch. After lunch, an industrial engineer from the company's main plant stops by to ask the team what they think about the design for a new IBM cable the company is bidding on. Roberto Kelly, the team's quality control honcho, recommends a change that will allow cable to fit more easily into the team's hand tools. The engineer agrees and alters the design. That's one of the things that John likes about the company—they listen.

When the final whistle blows at 3 p.m., John knows he'll be tired, but he figures that comes with the job—that and taxes. With taxes, rent, and child support payments, there isn't much left for the car he's been saving for. He'll need it for commuting next month when he's transferred to the Myrtle Beach plant.

Highlights

Prison industries, using inmate labor to manufacture goods for private firms, were thriving enterprises in the first quarter of this century. However, the sale of open market prison-made products was banned in the 1930's and 1940's by Congress and the States, in response to protests from both competing industries and labor unions. In 1979 legislation was enacted to restore private sector involvement in prison industries to its former status, provided certain conditions of the labor market are met.

This Program Focus describes how companies in South Carolina, California, and Connecticut have formed successful partnerships with State and local correctional agencies. Some positive features of these collaborations include:

- A cost-competitive, motivated work force, which can continue to work after release from prison.
- The proximity of a prison-based feeder plant to the company's regular facility.
- Financial incentives, including low-cost industrial space and equipment purchase subsidy, that are offered by corrections officials.
- Safe work environment due to the presence of security personnel and a metal detector that keeps weapons out of the shop area.

- The partial return to society of inmate earnings to pay State and Federal taxes, offset incarceration costs, contribute to the support of inmates' families, and compensate victims.

Challenges encountered include:

- Absenteeism and rapid turnover of employees.
- Limited opportunities for training.
- Logistical problems, such as appropriate access for deliveries.

Representatives of companies interested in joint venture arrangements should consider such issues as:

- Federal and State laws regulating the markets, types of permissible business relationships, and rights and responsibilities of inmates, staff, and private companies.
- Appropriate goals for the joint venture that are consistent with the mission of the corrections agency.
- Support of the warden of the host prison.
- Qualification of the joint venture manager, who should have prior experience in corrections as well as an understanding of business operations.

Federal Regulation of Prison-Based Joint Ventures

In 1979, Congress enacted Public Law 96-157 (codified at 18 U.S.C. 1761(c) and 41 U.S.C. 35), which created the Private Sector/Prison Industry Enhancement Certification Program (PS/PIEC). The program authorizes correctional agencies to engage in the interstate shipment of prison-made goods for private business use if:

- Inmates working in private sector prison industries are paid at a rate not less than the rate paid for work of a similar

nature in the locality in which the work takes place.

- Prior to the initiation of a project, local unions are consulted.
- The employment of inmates does not result in the displacement of employed workers outside the prison, does not occur in occupations in which there is a surplus of labor in the locality, and does not impair existing contracts for services.

At the end of the day, John shows the new man on the team how to do his final inspection and product count, while the other men clean up their work area. After they all punch out, they wait in line to go through the metal detector before leaving the shop and walking across the prison yard to their cells.

John (a fictitious name but true-to-life inmate) and the other 250 inmate-workers who assemble wire harnesses for Escod Industries are part of an innovative joint venture inside the Evans Correctional Facility in South Carolina. To be sure, when prison work programs are mentioned, most people still think of one product and one customer—license plates made for State governments. However, a small but growing number of private companies like Escod are paying inmates to produce a wide variety of products and services from inside the penal institution.

Joint ventures between a private company and a prison, like the partnership in South Carolina that employs John, are not yet common. But in the last decade, company executives in an increasing number of States have begun forming joint ventures with prison officials who are eager to

branch out from their traditional stateuse prison industries to produce goods and services for the private sector.

After offering a brief overview of the history and current status of prison industries, this Program Focus examines how three companies have developed successful and mutually beneficial partnerships with prisons in South Carolina. Two other joint ventures in California and Connecticut are also described briefly to illustrate successful partnerships that companies and correctional agencies have formed in other States.

The Federal Government Takes the Lead

Private sector involvement in prison industries is not new. During the early decades of this century, prison factories making products for private companies flourished. But the unregulated use of prison labor led to complaints of unfair competition from organized labor and competing manufacturers. As a result, during the 1930's and 1940's Congress

and the States prohibited the open market sale of prison-made goods.

The current revival of private sector prison industries was made possible in 1979 when Congress lifted its ban on the interstate transportation and sale of prison-made goods for prisons that met the conditions of a specially created Private Sector Prison Industry Enhancement Certification Program (PS/PIEC). This program requires participating correctional agencies to certify that inmate workers are paid local prevailing wages and that the interests of other parties that could be adversely affected by the joint venture are protected. (See "Federal Regulation of Prison-Based Joint Ventures.") The new legislation was an essential first step in motivating private companies to use prison-based work forces, since most business markets today cross State borders.

As of March 1993, the U.S. Department of Justice, which administers the PS/PIEC Program, had certified 32 correctional agencies to operate private sector prison industries similar to the enterprises described in this report. According to the department, approximately 1,000 inmates are employed in these joint ventures. Private companies now use prison-based work for data entry and information processing, electronic component assembly, garment manufacturing, contract packaging, metal fabrication, telemarketing, and handling travel reservations.

Everyone benefits from joint ventures. *Companies* are attracted to working with prisons because inmates represent a readily available and dependable source of entry-level labor that is a cost-effective alternative to work forces found in Mexico, the Caribbean Basin, Southeast Asia, and the Pacific Rim countries. "Do-

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mestic content is an important benefit of using a prison-based work force compared with using an offshore labor market,” says one industry executive. “We can put a Made-in-the-U.S.A. label on our product. In fact, our sales staff told us that the retention of these jobs in the United States influenced purchasing agents at two large organizations to buy our product rather than a competitor’s whose product is made offshore.” The executive adds that “keeping the jobs in the country helped line workers in our other plants accept the idea of a prison-based work force.”

Correctional administrators report that joint ventures provide meaningful, productive employment that helps to reduce inmate idleness, considered to be a common cause of prisoner disruptions. Correctional administrators also indicate that the existence of private sector jobs can be used to motivate positive behavior and good work habits on the part of inmates throughout the prison. According to Richard Bazzle, Warden of the Leath Correctional Facility in South Carolina, “the inmate who realizes that an initial assign-

ment in the kitchen might some day lead to a higher paying job in our garment plant is more likely to work hard and stay out of trouble in order to get that better job tomorrow.”

The general public, too, tends to endorse productive employment for inmates when they are assured that prison-based jobs will not displace law-abiding citizens. For example, although in 1990 California voters rejected a \$450 million bond issue for prison construction, they approved a change in the State’s constitution to allow

NIJ-NIC Collaboration on Private Sector Prison Industries and Other Offender Programs

The National Institute of Justice (NIJ) and the National Institute of Corrections (NIC) have cooperated on a number of projects. The following reflects these continuing efforts.

In 1978, the National Institute of Justice and the National Institute of Corrections entered into a memorandum of understanding (MOU) that included identifying opportunities for the two agencies to serve the field better through collaborative efforts. Earlier this year we revisited the MOU and renewed our commitment to work together on a number of joint initiatives.

More recently the Office of Correctional Job Training and Placement (OCJTP) was created within the National Institute of Corrections. With its creation as a catalyst, a new joint agency effort has begun to explore ways to assist incarcerated and ex-offenders to become gainfully employed.

This initiative will give us the opportunity to engage other Federal agencies, State and local governments, business and industry, private and not-for-profit organizations, educators, and educational institutions in identifying solutions to this systemic problem.

Both NIJ and NIC have had a long history of supporting programs for offenders including vocational training, corrections education, as well as State-use and private sector industries. This Program Focus on private sector prison industries is but one indication of our continued commitment in this area.

Given our collective histories of accomplishment in the area, it seemed logical and appropriate for our agencies to share our talents and resources to further the goals of OCJTP. While we will continue to work together to support the field through research, evaluation, development, information dissemination, training, and the provision of technical assistance to State and local

agencies, staff from our respective agencies have been tasked with taking a fresh look at traditional approaches.

As a result of several brainstorming and information-sharing sessions, a number of potential joint NIJ/NIC initiatives are already under consideration. We are determined to move quickly on a number of the more promising ideas. At the same time, however, our staff will be calling on you for recommendations as to how best to achieve the mission of the Office of Correctional Job Training and Placement.

Jeremy Travis
Director
National Institute of Justice

Morris Thigpen
Director
National Institute of Corrections

the operation of private sector prison industries when they were assured by the governor that such jobs would not result in the layoff of civilian-workers.

South Carolina Takes the Initiative

The opportunity for the private sector to use inmate labor in South Carolina opened up when Tony Ellis became Director of the Division of Correctional Industries in 1990. Ellis' division is charged with employing as many inmates as possible in each of the State's prisons. However, meeting this mandate was becoming increasingly difficult because of two ongoing developments. First, South Carolina was faced with a dramatic increase in its inmate population. From 1989 to 1993 alone, the number of prisoners in the State jumped from 13,004 to 17,294—an increase of 33 percent. Second, because the State budget was shrinking as part of the nationwide recession, State agencies had less money with which to purchase inmate-produced goods and services. As a result, the capacity of stateuse industries to productively employ inmates also diminished.

Ellis decided to tackle this predicament by expanding inmate employment opportunities to include working for private companies manufacturing products for sale on the open market. In the past 3 years, Ellis' move into the private sector has paid off for everyone; three companies have set up successful joint ventures that employ over 400 inmates in South Carolina's prisons. Major companies and institutions like IBM, Victoria's Secret, and Emory University purchase products manufactured in South Carolina's prisons.

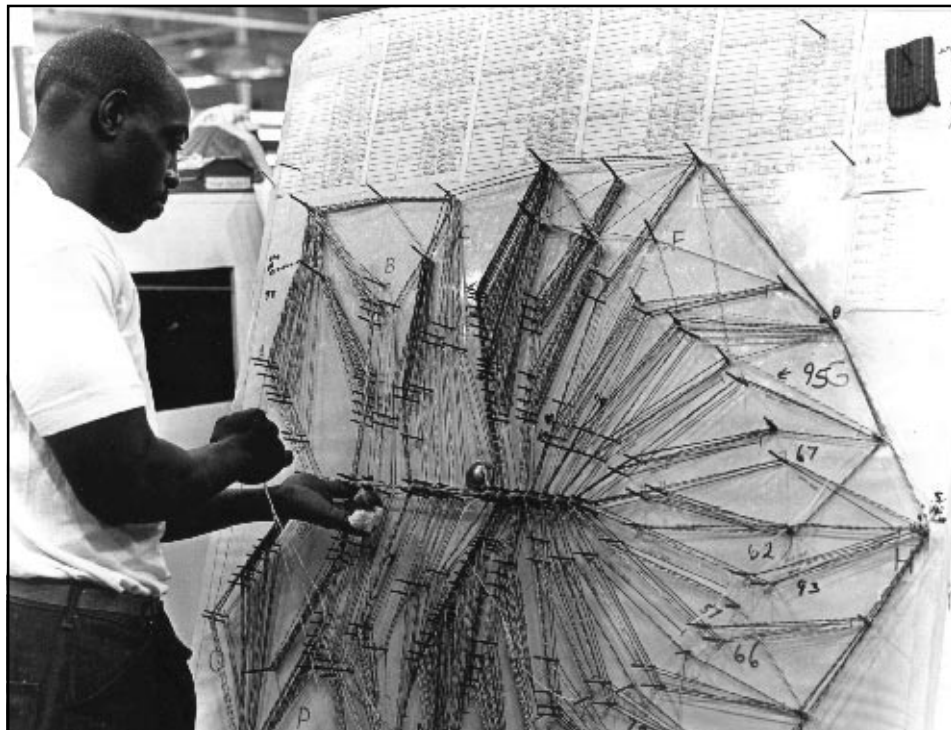


Photo by Jack Owen

At the Evans Correctional Facility in South Carolina, Escod Industries employs inmates to assemble electronic cables involving the use of assembly boards.

Escod Industries— Rewiring Europe's Telephone System

Escod Industries, a division of Insilco Corporation, a Fortune 500 conglomerate based in Columbus, Ohio, operates seven manufacturing plants in the United States. One plant is in South Carolina's Evans Correctional Facility, a 1,100 bed maximum/medium security prison. Last year, inmate-workers at Escod's prison plant assembled \$16 million worth of electronic cables that were purchased by corporations like IBM and the Canadian-based Northern Telecom Corporation. Northern Telecom uses Escod's products in the telephone cables it sells to several Eastern European countries that are upgrading their communication systems to meet the

latest European Economic Community standards.

How the partnership began. Pat Timms, Escod's Vice President of Operations, learned about the availability of South Carolina's prison-based work force when he received a letter from Tony Ellis suggesting that if the company were thinking of expanding its operations, it should take a serious look at South Carolina's prison-based work force to meet its growing employment needs.

Ellis' letter was timely because it arrived when Escod's top management was looking closely at what the company would have to do to maintain its position in the increasingly competitive electronics industry. One of the options being considered by top managers was the operation of a satellite plant in Mexico that would use

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the country's highly productive and low-cost Maquiladora work force. But Timms, who had previously worked for the Alston Wilkes Society—a prison volunteer organization—was intrigued by Ellis' letter because he thought that a domestic feeder plant located near his principal customers and staffed with a cost-competitive work force would better fit the company's just-in-time delivery schedules than a plant located nearly 1,000 miles away in Mexico. Furthermore, he made some calculations that showed only an insignificant difference in labor costs between South Carolina's prison-based work force, with a total burdened rate of \$6.04 per hour, and the comparable rate of a Mexico based plant that included transportation costs for finished products.

Armed with these figures, Timms was able to convince his colleagues at Escod that the company should open a plant inside the prison. South Carolina correctional officials also helped to sway Escod's decision by offering the company financial incentives that included low-cost industrial space and a \$250,000 subsidy for equipment purchases.

Current operations. Today, 10 civilian Escod staff—including two female floor managers—supervise over 250 inmates at the Evans Correctional Facility. The company operates a two-shift schedule in the prison: 190 inmates are employed on the 7 a.m. to 3 p.m. shift, and 60 inmates work on the 3 p.m. to 11 p.m. shift. The prison superintendent would like to see a third shift and a total employment of 300.

Escod's prison-based work force hand assembles a wide variety of wire harnesses for electronic cables. Inmates unreel color-coded wires from large spools, individually lay them out on large sheets of plywood that outline the correct assembly

pattern, tie the wires into bundles, and finish them into electronic cables. Inmates perform their jobs in teams. Each team, composed of from 5 to 25 workers, depending on the complexity and the size of a given product, is responsible for the entire production process, including setting up the tools and equipment required to complete the job order, assembling and inspecting the wire harnesses, and packaging the finished products.

Motivated inmates make good workers.

Escod's plant manager at the Evans facility, Bert Christy, says, "The productivity and quality of this work force is as good

as, if not better than, any that I've ever worked with." To prove his point, Christy points to the quality control award that the Evans plant won from IBM for being one of the 10 feeder plants (of a total of 500) to deliver 25,000 cables to the computer giant with zero defects.

Christy attributes the inmates' superior work to their high motivation, pointing out: "Any person here has a strong desire to work because this is by far the best game in town. They want this place to be a success. And so do we." Christy says that it is important to build on the inmates' intrinsic motivation to do well by



Photo by Jack Owen

Escod's plant in the Evans Correctional Facility in South Carolina won an award from IBM for being among the 10 out of 500 feeder plants to deliver 25,000 cables with zero defects.

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treating them consistently and fairly and by rewarding good work. If a work team attains productivity, quality, and on-time delivery goals for a week, the team is rewarded with a fast food lunch. If the plant achieves its quality and efficiency goals for a month, members get a dinner catered by a local restaurant.

Christy maintains that the inmate work force has higher education test scores and more extensive work experience than many individuals applying for jobs at the company's main plant. Indeed, he believes many inmate workers are over-qualified for the jobs they hold, which might be expected to reduce morale. On the other hand, these inmates might simply be satisfied that they have something meaningful to occupy their time in prison.

Escod management has also built success into the Evans plant by funneling the company's least complex products into the prison. Pat Timms says, "Now we concentrate in the prison our simpler, labor-intensive products that are susceptible to customer demand spikes, and we put most of our higher-cost products in our nearby civilian plant. This strategy buffers our regular employees against layoffs and rehiring caused by fluctuating customer demand cycles, and, at the same time, it lowers our unemployment compensation rate. As a result, we're more cost-competitive in the long run."

Prisons are not trouble-free work environments. Escod has had to work closely with correctional officials at Evans to overcome a number of problems, especially absenteeism and turnover. Absenteeism on the shop floor during Escod's first year of operations disrupted the company's work teams and increased overtime costs. Escod reduced unexcused



Photo by Jack Owen

An inmate employed by Jostens, Inc., at the Laurens Correctional Facility in South Carolina, sews a graduation gown for a major university.

absences by working closely with Evans staff to introduce and enforce its standard absentee policy that results in the termination of any worker after five unexcused absences over any 6-month period.

Turnover in the work force, however, continues to be a nagging problem. As a result, company and correctional managers are exploring the possibility of opening a second feeder plant in a new minimum security prison under construction near one of the company's principal plants. This new facility would enable Escod workers at Evans to continue to work for the company after they receive a lower custody status and are transferred out of Evans. With plants in both prisons, trained inmates could work for the company throughout their period of confinement and, after release, continue their employment at its nearby plant if jobs are available.

After only 2 years in operation, the Evans plant has already become a vital link in

Escod's domestic manufacturing system. Pat Timms says, "Strategically, Evans is very important to us, and it will probably grow in importance because the prison gives us access to a cost-effective work force that meets our customers' needs. IBM managers like the arrangement because it enables them to meet their domestic content product requirements. Northern Telecom likes it because it meets its just-in-time delivery schedules. And we like the setup because it helps our regular plant avoid cycles of hiring and laying off extra workers to handle the unpredictable upswings and downturns in demand for this particular product."

Jostens, Inc.

The next time you go to a graduation exercise, notice the colorful gowns the participants are wearing: they may have been made in a South Carolina prison by Jostens, Inc. A Fortune 400 company, Jostens is the largest manufacturer of

graduation gowns in the country. It has 43 offices and manufacturing plants throughout the United States, Mexico, and the Caribbean Basin. The company's main gown plant is in Laurens, South Carolina, about 25 miles from the Leath Correctional Facility, a 350-bed prison for women.

How the joint venture was arranged. In 1991, Jostens received one of Tony Ellis' recruitment letters, but at that time the company was not interested in expansion. A year later, however, when the market for graduation gowns grew and the company needed a feeder plant to operate in conjunction with its Laurens facility, the facility manager remembered the letter and gave Ellis a call.

Because of the lack of readily available labor in the rural area surrounding Laurens, the company had considered Mexico as a site for a feeder plant. But the Leath Correctional Facility, less than an hour's drive from Laurens, seemed like an attractive alternative. Jostens' production manager, Frank Burton, met with Ellis and liked what the prison industries administrator had to offer: a local work force, quality industrial space tailored to meet the company's production needs, capitalization of equipment, and a joint venture arrangement that would enable Jostens to concentrate on production and quality control, while correctional industries staff handled all the work related to personnel and payroll.

Jostens began operations inside Leath in late 1992. The company now supervises 40 women who sew, inspect, sort, and package graduation gowns. The women work a 40-hour week, 8½ hours a day Monday through Thursday, and 6 hours on Friday.

Again, everyone benefits. Linda Knight, the onsite production manager for Jostens, reports that initially quality was a problem. However, Knight and the Division of Correctional Industry improved production quality by incorporating into the prison's 8-week industrial sewing training program a new module that provides the women with instruction in Jostens' in-process inspection procedures.

Knight reports that turnover and absenteeism are no different at Leath than at the company's Laurens plant, and productivity is good; but the sewing done in the prison is uncomplicated and repetitive. Safety? Knight claims, "I feel safer in here than I would in an outside shop. Security personnel are always nearby, and I know that weapons are not going to be brought into *this* shop because there's a metal detector outside."

Burton would like to expand work orders in the prison without having to invest in additional equipment. As a result, he is thinking of starting a second shift, although this expansion of operations will require new negotiations with prison officials.

Third Generation, Inc.

Third Generation, Inc., a contract garment maker with two plants in South Carolina, also operated a garment manufacturing plant inside the Leath Correctional Facility until a recent downturn in the company's orders led management to complete, but not renew, its existing contract with South Carolina Correctional Industries. Third Generation employed 35 inmates who sewed a variety of leisure wear garments and lingerie that were purchased by J.C. Penney, Victoria's Secret, and other retail apparel firms. Last year the company's Leath plant produced more

than \$1.5 million worth of garments.

How the partnership began. Like many other small firms in the contract sewing industry, Third Generation had considered handling its expanding business by opening plants in Mexico and the Caribbean Basin, but the company found the correctional agency's economic development package more attractive than the incentives offered by offshore business locations. Merv Epstein, Third Generation's President, says, "We could not find enough qualified industrial sewers in rural South Carolina, and the prison solved a real problem for us in that respect. These women were good workers, they took pride in the products they made, and I would like to hire 80 percent of them after they get out of prison in my other two plants." Indeed, Third Generation has hired several women released from Leath who worked for the company as inmates.

Quality and productivity. Judy Johnson, Third Generation's plant manager at Leath, says the quality achieved by the prison work force was at a level as high as that attained by its nonincarcerated employees, and turnover was much lower in the prison. Productivity, however, was initially a problem. Johnson believes that, due to limited training, the workers were not able to efficiently handle the company's frequent style changes. Productivity suffered as workers learned how to sew each new style. As a result, the company reduced the number and frequency of style changes at its prison plant. Merv Epstein warns that other garment manufacturers that consider hiring a prison-based work force should "keep it simple—put the least complex sewing jobs you have inside the prison, and don't make frequent style changes."

The key to supervising inmate workers,

according to Judy Johnson, is to realize that inmates will play games and that, from the start, the plant manager must be firm in responding to their attempts at manipulation. But, she adds, supervisors also have to be fair and reward good performance. For example, the company provided a dinner for its Leath workforce at Thanksgiving and gave group bonuses for consistently high quality work. The company also tried to build a sense of cohesiveness and corporate identity by giving workers T-shirts imprinted with the company logo to wear on the job.

Trans World Airlines and the California Youth Authority

"Thank you for calling TWA. This is Anita Gomez. How can I help you?" Most of the more than 500,000 callers probably did not realize that the agent delivering this greeting was a youthful offender employed in the California Youth Authority's Ventura Training School for youthful offenders.

How the partnership began. Influenced by the success of Best Western International's hotel reservation center, which operated at the Arizona Correctional Facility for Women in Phoenix from 1981 to 1992, TWA began employing male and female youthful offenders in the beginning of 1986. Since then, TWA has hired nearly 300 agents at the training school, 55 of whom have continued their employment at the company's Los Angeles reservation center after their release from prison.

TWA established its reservation center at the Ventura School to take advantage of the institution's readily available labor

pool, which could be quickly tapped to process excess call volume from its Los Angeles reservation center. However, Ventura has now become one of the company's five major reservation outlets handling calls on a regular basis from around the country.

Current operations. In addition to processing routine domestic airline reservations, the Ventura center provides a specialized service on a regular basis for the company's other reservation centers. Ventura agents alone now schedule all of the airline's round-the-world itineraries because the small size of the work group (other centers

employ as many as 500 agents, whereas Ventura's work force typically consists of 70 agents) allows TWA's supervisory staff in the facility to monitor the complex pricing of round-the-world tickets more closely. Jeff Black, TWA's Director of Area Reservations, says:

We've found that a number of specialized desks performing functions like round-the-world itineraries are harder to staff in larger work environments. Here, at Ventura, once we've trained an agent in this kind of specialized service we know that he is



Photo by Jack Owen

An inmate at the California Youth Authority's Ventura Training School, where inmates schedule all of TWA's around-the-world itineraries, talks with a customer about a European vacation.

more likely to show up regularly for work because the job carries a great deal of status among the Ventura agents. Besides, we know that they are not going to be late for work because of a traffic jam on the freeway. That kind of dependability is important to us.

Win-win for everyone. The 1992 civil disturbances in Los Angeles highlighted the dependability of the Ventura center for TWA when the company was forced to close its Los Angeles reservations office. Over a 2-day period, 61 youthful offenders worked 718 hours processing calls from travelers who would have otherwise been lost to TWA's competitors. In a letter of appreciation to the Ventura School, the TWA area reservations manager wrote, "We have shown our company how we can respond in a crisis." Frederick F. Mills, Administrator of the Free Venture Program, wrote back that, "This public-private partnership is a great example of how working together can create a win-win solution for everyone."

Chesapeake Cap Company and the Connecticut Department of Corrections

How the partnership began. The Maryland-based Lyon Brothers Manufacturing Company, the country's largest manufacturer of embroidered emblems, holds the license for manufacturing the emblems of all the teams in the National Football League and

Major League Baseball. In 1990, Lyon Brothers established its new Chesapeake Cap Company division in the Connecticut Correctional Institution at Somers. The company contacted the Connecticut Department of Corrections because, of all State agencies certified by the U.S. Department of Justice to sell prison-made goods in interstate commerce, Connecticut's was situated closest to Lyon's Maryland location.

The company employs 18 inmates in Somers, the State's maximum security prison, to make baseball caps that are sold to private companies, government agencies, and retail sporting goods stores. The baseball caps worn by Midas Muffler mechanics, police officers in St. Louis, and Little League World Series players are all made by Chesapeake Cap's inmate employees.

Current operations. Chesapeake Cap hires its prison workers from a pool of inmates employed in the prison's sewing plant, which makes inmate uniforms for the State's prison population. Unlike some of its joint venture counterparts in South Carolina, Chesapeake Cap has not experienced a turnover problem because the lengthy sentences served in Somers enable the company to limit its hiring to inmates with a minimum of 5 years left to serve on their sentences.

Benefits to all. According to Somers' warden, the joint venture with Chesapeake Cap has been good for the institution because it gives inmates a positive goal to shoot for. Renate Hellin, Chesapeake Cap's plant manager, reports that the prison-based work force has provided Lyon Broth-

ers with an affordable way to enter a new market that is directly related to its principal product line of emblems.

Different Types of Partnerships Can Be Successful

Companies and correctional agencies have developed different types of business relationships to meet their common workforce needs. In South Carolina, the companies that operate feeder plants in the Evans and Leath correctional facilities supervise inmate workers with their own staff. However, the prisoners are employed by the State Division of Correctional Industries, which in turn charges the companies a burden rate for their labor. This approach, often called the *Manpower Model* because of its similarity to the nationwide temporary personnel service company of that name, reflects a growing trend in which companies lease rather than employ their prison workforces. (See exhibit 1.)

By contrast, Trans World Airlines in California and the Chesapeake Cap Company in Connecticut own and operate their prison-based businesses, and they directly supervise and employ their inmate workforce. Prison officials in these two States provide only the space in which the companies operate and a qualified labor pool from which the companies hire their inmate employees. This approach is frequently called the *Employer Model* because the company employs the inmates.

Several companies and correctional agencies in other States have adopted a third partnering approach, frequently

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Exhibit 1. Principal Characteristics of Three Types of Joint Ventures

| Model | Workers Employed By | Workers Supervised By | Workers Trained By | Benefits for Company | Benefits for Prison |
|-----------------|---------------------|-----------------------|--------------------|--|--|
| Manpower | Prison | Company | Prison | <ul style="list-style-type: none"> • Workforce • Rent/utility • Money for equipment • Administrative support | <ul style="list-style-type: none"> • Employment • Overhead rate • Wage deductions • Payback on equipment |
| Employer | Company | Company | Company | <ul style="list-style-type: none"> • Workforce • Rent • Utilities | <ul style="list-style-type: none"> • Employment • Wage deductions |
| Customer | Prison | Prison | Prison | <ul style="list-style-type: none"> • Product or service | <ul style="list-style-type: none"> • Payment for finished goods |

called the *Customer Model*, in which the company contracts with a prison or jail to provide a finished product at an agreed-upon price. In this model, the correctional agency owns and operates the business that employs the inmate workforce. For example, the Hennepin County Adult Correctional Facility in Minnesota operates a job shop, employing 50 inmates, that provides a variety of light assembly, sorting, packaging, and warranty repair services for dozens of private firms in the Minneapolis-St. Paul area.

Different models, different risks.

The degree of risk and reward shared by the company and the correctional agency varies by model. In general, the customer model exposes the company to the least risk, because the firm's involvement is limited to purchasing finished products or services. However, the customer model involves the most risk for the correction-

al agency, since prison administrators must operate a competitive business within the constraints of a government bureaucracy. In the employer and manpower models, the risks and rewards of the joint venture are shared by the company and the correctional agency, with each partner required to dedicate significant resources to the venture for it to succeed.

Shared commitment the key. Private sector executives and correctional administrators agree that no matter which model is adopted, success is built on a mutual commitment to meet each other's needs. "Operating a private business inside a correctional institution is almost a contradiction in terms," says Jeff Black, Vice President of TWA. "A prison is not necessarily the best environment for every company. It takes a lot of dedication, communication, and cooperation on the part of the institution and the company to make the arrangement work."

Prison officials demonstrate this commitment by going the extra mile to solve the practical, everyday problems with the partnership that invariably arise. In Connecticut, for example, the prison superintendent modified the institution's standard security procedures to enable parcel service delivery trucks to come inside the institution's chain link fence to pick up Chesapeake Cap's finished goods. Before this exception to the rules was made, common carriers had to pick up and deliver packages at the prison's main gate, located a quarter mile away at the opposite end of the complex from the industrial area. This simple change in procedure helped the company meet its delivery schedules in a more timely manner.

In South Carolina, correctional industry managers at the Evans and Leath prisons placed their offices inside the company's plants as the best location

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from which to serve the needs of the company. From this strategic vantage point, managers handle inmate worker personnel issues, process payroll, work with the company's supervisory staff to design employment training programs, and serve as the liaison between the company and the prison's other departments.

In California, the Ventura School brought in a pre-employment training program taught by the local community college in order to familiarize offenders with the operation of computer terminals and provide basic geographical instruction required by the travel industry. Offering this program

allowed TWA to concentrate on the more complex technical aspects of airline reservations and ticketing during its in-service training program for Ventura's agents.

Everyone benefits. In summary, private sector prison industries provide substantial benefits to companies that need entry-level labor to staff simple production or service processes. As discussed earlier, inmate labor can meet a number of special needs that companies may have:

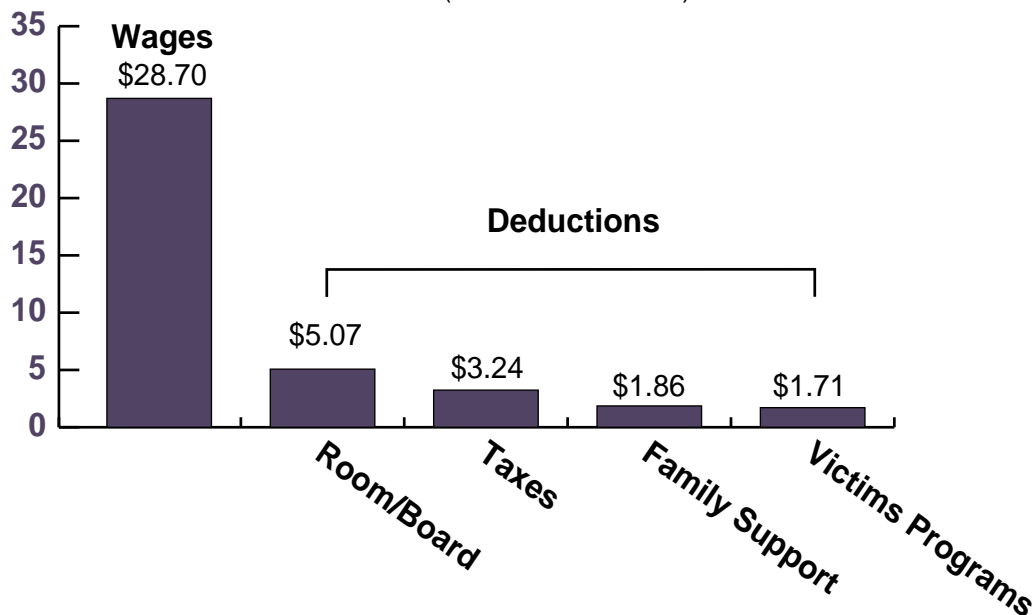
- In South Carolina, Escod Industries uses its prison feeder plant to help meet its customers just-in-time delivery schedules.

- Jostens' prison-based workforce expands its ability to sew a Made-in-the-USA label on its product, a strong selling point with many of its customers.
- In California, TWA's Ventura reservation facility was a godsend when civil disturbances forced the company to close its Los Angeles facility.

Wardens report that private sector jobs are valuable to them because the work productively employs inmates who might otherwise be idle. Furthermore, joint ventures motivate inmates who are waiting for jobs to stay out of

Exhibit 2. Earnings and Contributions of Joint Venture Workers

1979-1992
(in millions of dollars)



SOURCE: Bureau of Justice Assistance, PS/PIEC Program

Prison-Based Joint Ventures Are Not Free of Controversy

Although the number of inmates working in prison-based joint ventures remains relatively small, the recent emergence of private sector prison industries has caught the attention of interest groups beyond the prison walls. The AFL-CIO, which has had a long-standing interest in prison work (for example, it has sponsored apprenticeship programs in prisons), considers joint ventures a challenge to unionized and nonunionized civilian work forces. A statement by the AFL-CIO Executive Council on *Prison Labor Programs* issued in 1991 states:

There are good reasons to let prisoners work as part of skills-training programs that could have a rehabilitative effect and thereby lower rates of recidivism. But badly conceived programs often provide unfair competition and take jobs from the general population. It is outrageous to deliberately encourage prison labor that leads to job loss in the larger economy. In light of these consider-

ations, the AFL-CIO supports prison labor programs that:

- Provide training for work likely to be available to convicts after their release.
- Produce goods and services that are exclusively for government use and may not be sold to the public.
- Pay wages that are no less than the prevailing wage for similar [work] in the private sector, with appropriate deductions for room and board, taxes, and contributions for victim restitution funds....
- Prohibit the use of prison labor to replace strikers or provide services that may prolong a strike.
- Prohibit the displacement of existing jobs by prison labor.

Federal law also addresses these points—but in the context of private sector jobs for prisoners, something that the AFL-CIO opposes. (See “Federal Regulation of Prison-Based Joint Ventures.”)

The increased visibility of prison-based joint ventures has contributed to a vigorous debate about the proper role of inmates in today’s workforce. The policy issues underlying this debate go beyond the scope of this report. But many business and labor groups are watching the development of these partnerships to see whether they compete fairly in the marketplace. In the past, these groups have not hesitated to oppose prison-based work programs that they believed were not competing fairly. As a result, the manner in which individual correctional agencies and companies operate their joint ventures may have consequences far beyond their jurisdictions in terms of furthering or retarding the future development of prison-based joint ventures nationwide.

trouble, since a good disciplinary record is a prerequisite for employment.

Joint venture workers have to show up for their jobs on time and work hard throughout their shifts. This experience develops valuable work habits. These inmates also learn how to meet private sector productivity and quality standards. As a result, TWA, Third Generation, and other companies have hired, after their release, inmates who worked for the companies while in prison. Such stable post-release employment may reduce the chances that these ex-convicts will return to a life of crime.

Between 1979 and 1992, inmates employed in joint ventures certified by the U.S. Department of Justice earned \$28,668,450. However, during that time, deductions from their wages (see exhibit 2) also resulted in contributions of:

- \$5,068,909 to offset the cost of their incarceration.
- \$3,243,011 in Federal and State taxes.
- \$1,713,043 in victim compensation.
- \$1,862,867 toward the support of their families.

These combined wage deductions of \$11,887,830 represent a return to soci-

ety of \$.41 for every dollar these inmates earned.

Starting a Joint Venture?

Company executives and correctional administrators considering the development of a prison-based joint venture should consider the following guidelines.

Know the law. Federal and State laws regulate the markets available to participating companies, the types of business relationships that may be developed, and the rights and responsibilities of inmates, staff, and private companies. Individuals creating joint

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ventures should be particularly attentive to how local statutes may regulate the following:

- Type(s) of partnership permitted.
- Market(s) in which products or services may be sold.
- Employment status of inmate workers.
- Wages paid to inmate workers.
- Benefits provided to inmate workers.
- Deductions taken from the wages of inmate workers.
- Protection of civilian jobs.
- Lease of prison property.
- Incentives for private sector participation.

Set appropriate goals. The joint venture's goals should be consistent with the overall mission of the correctional agency. Goals should provide clear guidance to both agency staff and private sector partners. For example, the California Youth Authority has published its goals for the Free Venture Program in a handy pamphlet that the program administrator gives to prospective companies when he meets with them for the first time.

A worthwhile goal established for any joint venture is to act fairly toward every person and group that will be affected by the partnership. This is critical because joint ventures do not

operate in a political vacuum. Outside interest groups may effectively oppose any venture they believe is not competing fairly in the marketplace. (See "Prison-Based Joint Ventures Are Not Free of Controversy.") It is also essential to choose the right kind of product or service for the prison-based enterprise. The lesson learned by Escod Industries and Third Generation is: Keep it simple!

Choose the host prison carefully.

Joint ventures are not meant for every prison. They are best suited for institutions where the warden has expressed a strong interest in participating in their planning and development. As Jeff Black of TWA points out, it takes a great deal of dedication to establish and operate a business inside a prison, because changes may have to be made in the prison's classification, assignment, disciplinary, security, or call-out procedures. The leadership of the warden is essential for making these changes. Other critical factors to consider when choosing a prison for a joint venture include the availability of suitable space for an industrial operation and a trained, motivated inmate work force.

Choose the joint venture manager carefully. Establishing a joint venture is an intensive process that usually requires the full-time attention of a manager whose responsibilities frequently include developing, marketing, implementing, and maintaining the program.

In addition to being energetic and task-oriented, the manager needs to have:

- Prior experience in corrections.
- An understanding of how to get things done in a government bureaucracy.
- An understanding of the problems of running a business and how a prison workforce can address those problems.
- An ability to interact comfortably and effectively with business people.

The corrections agency's state-use industry program is a good place to find a manager for a joint venture program, since industry staff already know the prison and understand the problems of business. Other State agencies or community-level service organizations (like the Salvation Army or Goodwill Industries) that create jobs for alternative labor forces, may also be good sources for managers.

Joint ventures between private companies and prisons are not suited to every type of business, but their numbers are increasing as the benefits become known. Prison workplaces employing alternative workforces boast of reduced labor and overhead costs, speedy delivery, and product quality—while preserving American jobs, usefully occupying inmates, and satisfying the consumer.

About This Study

This Program Focus was written by George E. Sexton, President of Criminal Justice Associates (CJA). Mr. Sexton is the co-author, along with his colleagues at CJA, of *Private Sector Involvement in Prison-Based Businesses*, NIJ Research Report, November 1985, and *Work in American Prisons: The Private Sector Gets Involved*, NIJ Issues and Practices, May 1988.

The field research for this report was performed during December 1992 and January 1993. The author interviewed correctional administrators, private sector executives and supervisors, and inmate-workers in California, Connecticut, and South Carolina, where he also observed the operation of prison-based joint ventures. This study is part of the National Institute of Justice's continuing research in private sector prison industries.

COVER: At the Evans Correctional Facility in South Carolina, an Escod supervisor stationed in the prison inspects work in progress. (Photo by Jack Owen)

Findings and conclusions of the research reported here are those of the author and do not necessarily reflect the official position or policies of the U.S. Department of Justice.

The National Institute of Justice is a component of the Office of Justice Programs, which also includes the Bureau of Justice Assistance, Bureau of Justice Statistics, Office of Juvenile Justice and Delinquency Prevention, and the Office for Victims of Crime.

NCJ 156215

November 1995

Selected NIJ Publications in Corrections

Listed below are some NIJ publications related to the issue of corrections. These publications can be obtained free, except where indicated, from the National Criminal Justice Reference Service (NCJRS): telephone 800-851-3420, e-mail askncjrs@ncjrs.aspensys.com, or write to NCJRS, Box 6000, Rockville, MD 20849-6000.

Please note that when free publications are out of stock, they are available as photocopies for a minimal fee or through interlibrary loan. They are also usually available on the NCJRS Bulletin Board System, NCJRS World Wide Web site, or on the Department of Justice Internet gopher site for downloading. Call NCJRS for more information.

Buchanan, R.A. and K.L. Whitlow, *Guidelines for Developing, Implementing, and Revising an Objective Prison Classification System*, NIJ Research Report, 1987, NCJ 108408.

Clark, Cheri L., David W. Aziz, and Doris L. MacKenzie, *Shock Incarceration in New York: Focus on Treatment*, NIJ Program Focus, August 1994, NCJ 148410.

Cronin, Roberta C., with assistance of Mei Han, *Boot Camps for Adult and Juvenile Offenders: Overview and Update*, NIJ Research Report, October 1994, NCJ 149175.

Greenwood, Peter W., *Three Strikes, You're Out: Benefits and Costs of California's New Mandatory-Sentencing Law*, VHS Videotape, 1994, NCJ 152236, \$19, includes postage and handling.

Inciardi, James, *A Corrections-Based Continuum of Effective Drug Abuse Treatment*, Research in Progress Seminar, VHS Videotape, 1995, NCJ 152692, \$19, includes postage and handling.

Inside Prisons, Crime File Series, VHS Videotape, 1985, NCJ 100743, \$17, includes postage and handling.

Jacobsen, V.J., R. Miller, and G.E. Sexton, *Making Jails Productive*, NIJ Research in Brief, 1991, NCJ 132396.

MacKenzie, Doris Layton and Claire Souryal, *Multisite Evaluation of Shock Incarceration*, NIJ Research Report, November 1994, NCJ 150062.

McDonald, Douglas, *Managing Prison Health Care and Cost*, NIJ Issues and Practices, March 1994, NCJ 152768.

Prison Crowding, Crime File Series, VHS Videotape, 1985, NCJ 097229, \$17, includes postage and handling.

Useem, Bert, Camille Graham Camp, George M. Camp, and Renie Dugan, *Resolution of Prison Riots*, NIJ Research in Brief, October 1995, NCJ 155283.

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