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Talking Points for James K. Stewart
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Brookings Conference
October 5, 1988

NCJRS

OCT 14 1988

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Introductory Remarks

- o I'd like to thank Warren Cikins for the invitation to speak to you today.
- o What I'm going to be speaking about is not just an important issue of criminal justice policy -- it is also a very specific economic opportunity for business.
- o We're all familiar with the traditional rhetoric about how going to prison is a way for offenders to "pay their debt to society."
- o Unfortunately that's only a figure of speech. Instead of paying off a debt, prisoners continue to accumulate one.
- o Corrections is the fastest growing item in state budgets today. Correctional budget expenditures have risen by 400 percent in the past decade.
- o The people who really pay the prisoner's debt to society are the taxpayers. It is the taxpayers who pay for the construction and operation of correctional facilities, for the welfare checks that the families of prisoners may need; for the costs of crime to the victims. And I do not need to tell you that the biggest taxpayers are businesses.
- o Meanwhile, an estimated 90 percent of the inmates in state prisons are idle.
- o From the point of view of justice and of economics, this system is unfair, illogical and impractical.
- o But it doesn't have to be this way. Private sector prison industries can help.

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U.S. Department of Justice
National Institute of Justice

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"Factories with Fences" -- Some Examples

- o Former Chief Justice Warren Burger has been a longtime and vocal proponent of private sector prison industries. In his phrase, prisons should be "factories with fences."
- o Most existing private sector prison industries are small businesses, employing 20 to 25 workers each, who perform unskilled and semi-skilled tasks.
- o Some types of work currently being done in private sector prison industries:
 - in Nevada, inmates assemble waterbed mattresses
 - in Kansas, they produce industrial blueprints for an engineering company
 - in Washington and Nebraska, they sew clothing for two garment manufacturers
 - in Montana, they harvest lumber for Louisiana Pacific
 - in Idaho, they cut stone for Idaho Quartzite
 - in Minnesota, they do data processing
- o One of the most successful private sector prison industries is run in Arizona by Best Western -- the world's largest chain of hotels and motels.
- o In 1981, Best Western had a problem.
- o The company's international marketing and reservations center in Phoenix needed trained telephone reservations agents to handle overflow calls during peak call periods, including holidays and weekends.
- o Best Western approached Arizona Department of Corrections.
- o 6 months later, inmates at the Arizona Center for Women were at work, booking reservations. On a given day, they now process about 10 percent of the company's total domestic calls.
- o Currently, there are 30 computer work stations staffed by inmate-employees.

- o The correctional institution screens all applicants and maintains a pool of eligible candidates who are interviewed by Best Western Human Resource Management staff. Selection criteria are the same as those for agents at the main reservations center.
- o Under this program:
 - More than 175 inmates hired since 1981.
 - 50 Of them hired by Best Western upon release, as lateral transfers within the company.
 - 24 Now working at company headquarters.
 - 9 Promoted to clerical positions in marketing, membership administration, and reservations.

Potential for increasing Private Sector Prison Industries (PSPIS)

- o sales of PSPIS in FY 85-86 were \$39 million.
- o Information on the number of private-sector prison industries today: 50 projects employing about 2000 prisoners in 35 prisons and 2 county jails.
- o This represents a continuing increase in number of projects and number of states that are involved. But we'd like to see it expand a lot further.
- o Twenty-nine states currently have laws which allow private sector prison industries, but only 16 states are now operating them.
- o Many types of businesses can succeed financially in the prison setting. Certain conditions may especially dispose businesses toward this setting:
 - if your business experiences rapid, short-term, largely unpredictable changes in workload demand
 - if market or technological changes might significantly alter your workload demand
 - if you have difficulty finding entry-level unskilled workers
 - if you need to lease labor or contract out work

Private sector prison industries have a number of advantages for business.

Demographers tell us that in the coming decades the U.S. will face a labor shortage of challenging dimensions.

-- We are already seeing this shortage in several regions of the country:

-- e.g. McDonald's up to \$7.50/hr. in New Hampshire.

Tools developed today help us bring marginal workers into the labor force and prepare us for this coming challenge.

-- PSPI is one option which addresses this problem right now for many types of businesses.

-- PSPI may solve your companies short term problems and better prepare you for the future.

Advantages of PSPIs for Companies

1) First, in terms of the work force:

-- drug free workers

-- dependable workers

-- they all show up on monday morning

-- they're there on weekends, on holidays, and when it snows

-- they're motivated -- most are eager for the opportunity to work at private sector jobs

-- with adequate training and supervision, they produce at quality and quantity levels equal to free workers

-- fears about inmate-employees engaging in pilferage and sabotage have proven groundless

-- once released, they may be a source of employees for company

2) there are also cost advantages

- free or low-cost space and utilities
- possibility of subsidized training costs and employee health care costs

3) And there can be public relations benefits

- A spokesperson for Best Western says that their employment of prison inmates has "done more for our corporate public image than any other single thing we have done."

Advantages of PSPIs to Others

- o Along with offering advantages to business, PSPIs offer advantages to prisons, to taxpayers, and to offenders. That's why we think this is a "win-win" situation.

1) Advantages to prisons -- greater calm and stability

2) Advantages to taxpayers

- reduced prison costs because inmate-employees contribute to room and board
- inmates pay taxes
- inmates contribute to victim compensation programs
- and to the support of their families

3) Advantages to offenders

- they earn wages
- they accumulate "gate money"
- they gain skills and work experience that improve employment prospects upon release

What NIJ is Doing

- o NIJ's interest in private sector prison industries is part of a broad effort to reduce soaring costs of the correctional system.
- o We are encouraging corrections to learn from the private sector in terms of financing prison construction, and operating correctional facilities.
- o Encouraging private sector prison industries is one aspect of this effort.
- o currently NIJ sponsoring training-demonstration project to develop 3 to 5 new private-sector prison industries.
- o NIJ just issued report, Work in American Prisons, designed for private sector and public sector managers, which discusses: (Available here today)
 - current developments in PSPIs
 - costs and benefits for private and public sectors
 - strategies for future growth
- o We are working with the Wharton School on how to expand the practice, disseminate information, do outreach.
- o I hope you will give thought to whether some aspect of your operations might be suitably established in a prison setting.
- o I'd be happy to answer any questions and to hear any suggestions you might have.