American prison populations have soared. In 1970, fewer than 200,000 people were incarcerated in state and federal prisons in the United States. By 1996, more than a million people were incarcerated. The move toward increasingly punitive sanctions and the resulting increase of people in prisons was a conscious policy move in response to ambiguous evidence of the effectiveness of rehabilitation policies and of employment policies to curb criminal activities. Because policy makers believed that virtually nothing worked to arrest violence and economically motivated deviance, they turned to the one policy that made intuitive sense: incapacitation through imprisonment (Blumstein, Cohen & Nagin 1978, p. 314).

Before other nations go down this path, however, it is useful to review the record of research evidence upon which American policy makers concluded that employment policies do not work to reduce crime. This evidence reveals considerable optimism about the prospects of curbing criminal behaviour through improved employment opportunities, especially for blacks who experience persistent employment barriers. Indeed, some of the less optimistic evidence arises out of empirical evidence that fails to distinguish between the criminal careers of blacks, who often turn to crime out of desperation arising from blocked labour market opportunities, and whites, whose criminal paths follow more varied routes.

In this essay, I show that the economic model of crime and punishment provides the initial ambiguity about the policy impacts of employment on crime. In essence, the model and its variations suggest that the precise direction and magnitude of employment and wages on crime largely is an empirical issue. This conclusion spurred numerous empirical studies that appear on first glance to offer mixed results. What the literature shows, however, is that employment impacts hinge upon race issues: better wages reduce black crime but have only marginal impacts on white crime.

1 Roy Wilkins Professor of Human Relations and Social Justice, Humphrey Institute of Public Affairs, University of Minnesota. This paper was originally presented 31 October 1997, at the Whyalla Roundtable Meeting at the University of South Australia, Whyalla, South Australia while the author was a Senior Fulbright Scholar at the Faculty of Aborigine and Islander Studies, University of South Australia. Comments and inspiration were provided by Rick Sarre, Colin Bourke, and other Roundtable conference participants. Much of the literature review discussed in this essay is based on the author’s National Institute of Justice (1980) monograph, Employment Opportunities and Crime. The U.S.-Australian Education Foundation and the Fulbright Foundation supported this research.

The seminal work in the economics of crime area is that of Nobel-laureate, Gary S. Becker, whose journal article, “Crime and punishment: An economic approach,” launched a generation’s worth of analysis and research on rational policy approaches to reducing crime. This work contends that the central determinants of the supply of criminal offences is the certainty and the severity of punishment. The work also compares the policy implications of pursuing enforcement strategies that increase the certainty of punishment over judicial or corrections strategies that increase the severity of punishment. The choice among these strategies, according to Becker’s analysis, can be discerned unambiguously once information on offender preferences are known. That is, we can design effective and efficient crime control policies rationally by choosing optimal mixes of increases in the certainty and severity of punishment, which exhibit unambiguous deterrent effects.

Ehrlich (1973) expands on the Becker theory by investigating the potential criminal’s optimal allocation of time to crime and work. Making choices in the face of uncertainty, the individual chooses to enter or not to enter criminal activity in the process of maximising his expected utility — an index of personal well-being and preferences — calculated for contingent states of the world. Because expected utility declines for increasing certainty or severity of punishment, optimal participation in crime declines for increasing punishment. The central results of Becker and Ehrlich have not gone unchallenged.

Block and Heineke (1975) argued that the Becker-Ehrlich results are based on restrictive assumptions about the probability distributions for success or failure in criminal activity. In general, it is discovered that the effects of the certainty and severity of punishment on optimal participation in crime do not determine arbitrary success or failure distributions. Moreover, National Academy of Sciences studies have concluded the empirical tests of the Becker model, while appearing to support the theoretical results of the deterrent effectiveness of the certainty and severity of punishment, should be viewed with extreme caution due to the insufficient attention paid to the statistical problem of correctly identifying the model’s direction of causation.

Furthermore, Brier and Fienberg (1980) in a careful review of all of the econometric tests of the Becker-Ehrlich model cite many problems of data reliability and inappropriate statistical techniques as rendering the majority of the favourable tests useless.

The choice-theoretic approach also predicts that employment affects participation in crime. In extremely simplified versions of the model, higher unemployment leads to lower expected returns to work and thereby increases the propensity to engage in crime. Better wages, higher income, and lower unemployment will have ambiguous effects on crime, however, in more general choice-theoretic models.

Another economic approach to crime similarly emphasises opportunities as well as environmental conditions. In this view, crimes are directly or indirectly determined by such economic factors as poverty or inequality or by the oppression of laws (Cloward & Ohlin 1960). Closely related is the set of hypotheses advanced by theorists of segmented labour markets relating crime to the feeling of hopelessness and uncertainty for the future.

Piore (1968) and other segmented labour market theorists point out that even though many public and private programs have made deliberate attempts to eliminate the more visible barriers to good and adequate jobs for ghetto workers through training and education, poverty, misery, and discontent appear to have increased rather than
diminished. Illegal activity is seen as an alternative to the frustration of labour market failure. Institutionally determined decisions, such as police arresting a disproportionate number of ghetto blacks, conspire to label blacks as criminals independently of whatever choices they may make.

The most telling aspect of the theoretical literature on crime, particularly the choice-theoretic literature, is that the greater the realism of the models, the weaker the predictions become. Extensions of the models often render them impotent, as Blocke and Heineke contend:

> We have shown that the results obtained by previous authors are valid only in special cases. 
> Enforcement, punishment and the degree of certainty surrounding punishment were seen to have no qualitative supply implications under traditional preference restrictions (Blocke & Heineke 1975, p. 323).

This is their way of saying that when the crime model is expanded to look more like a model of choice between crime and work, the central conclusions about the putative effects of punishment vanish. But so do any hypothesized effects of returns to work. Just as the effects of increased wages on labour supply are ambiguous — some people will work more when their potential earnings increase, some people will work less and still earn as much or more for their efforts — it also follows that crime returns will have dual impacts on the rational decisions of criminals.

The result of the Blocke and Heineke concession is that the real policy issues rest upon empirical confirmation of any alleged impacts of punishment or labour market incentives on crime. They aptly contend:

> Policy prescriptions in this area, as in the tax incentive area, do not follow from theory but rather require empirical determination of relative magnitudes (Blocke & Heineke 1975, p. 314).

Another line of inquiry linking crime and employment comes from the literature on imprisonment as a social control mechanism. Thorsten Sellin (1976) argues that demands of the labour markets have traditionally shaped the penal system and that changes in that system through time are more closely related to changing labour market structures than to evolving theories of punishment. In the early years of the nation, penitentiaries were designed to house criminals from the master class. Slaves were punished through beatings or execution. Following the Civil War, though, prisons served as a means of continuing slavery. With a system by penal servitude, private slavery would be replaced with public slavery. Within a decade after the Civil War, prison populations in the South shifted from being virtually all white to being disproportionately black. This literature proposes that the linkage between unemployment and crime works through imprisonment policies aimed at the incapacitation of the least wanted members of society (Darity et al. 1994). Thus, any attempt to demonstrate empirically a relationship between labour markets and crime would require an assessment of the relative position of the least well-off members of society.

**Summary of the Debate about Wages, Employment and Crime**

Researchers have repeatedly found that the labour market performance of ex-offenders is dismal (Cook 1975; Pownall 1971; Taggart 1972; Witte 1979; Freeman 1988). Former prisoners experience high levels of unemployment, receive low wages when they are employed, and face high turnover due to dismissals, quits, and layoffs. Some researchers have argued that these conditions exist because the ex-offenders’ characteristics are predominately those of low-skilled, disadvantaged workers. But is the dismal performance of ex-offenders in the labour market primarily due to their criminal record specifically or their disadvantaged status generally?

Phillip Cook (1975) has argued that the poor labour market performance of ex-offenders is due to their heavy endowment with characteristics associated with disadvantaged workers. They are young and non-white and hold unstable, low-paying jobs even before entering crime. While this situation may have pushed them into crime, having once been criminals intensifies the disadvantaged worker effect. If Cook is correct, then among ex-offenders with varying
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previous employment experiences, the least disadvantaged should perform better. Disadvantage can be measured by not having held a job for any appreciable period, having worked a long stretch in a poorly paid, low-status, high-turnover job, or having little education. It is reasonable to expect that, after prison, these measures would be highly correlated with labour market failure.

On the other hand, if Cook is incorrect, varying post-prison unemployment experiences among ex-offenders should not be explained simply by differences in these measures of employment disadvantage but by measure of varying criminal records, whether or not employers discriminate against ex-offenders, and by characteristics that may reflect the degree to which the offender has been rehabilitated, such as a high degree of motivation, sincerity, desire for the job, and so forth.

Similarly, many studies have attempted to link unemployment and crime. They have raised the questions of direction of causation; potential aggregation bias; and the effect, if any, of employment on crime. Studies like those of Brenner (1976), Fleischer (1966), and Glaser and Rice (1959) finding strong evidence of a link between unemployment and crime can be faulted on all of these grounds. Gillipsie (1978) in a review of the early studies concludes that the aggregate data are at best suggestive of a link between economic variables and crime but cannot reveal how that link might be formed. Witte (1979), examining micro data sets in addition to the volumes of studies using aggregate data, shows greater scepticism. Witte thinks there probably is no direct connection between unemployment and crime. She suggests exercising extreme caution in drawing conclusions from evidence showing a significant relationship between employment and crime.

If there is some doubt about a general relationship between employment and crime, there is little doubt that specific interactions that involve both labour markets and the criminal justice system exist. Miller (1978) has estimated that nearly one-quarter of the labour force have criminal records. The existence of a criminal record has been shown to restrict the type of occupation one can enter (Portney 1970), to increase the chances of dismissal from a job (Leonard 1967), and generally increase the likelihood that one will be unemployed (Leiberg 1978). The employment prospects of ex-offenders are bleak. Pownall (1971) reveals that released offenders have higher turnover rates, higher unemployment rates, and lower wages than the general population. Robert Taggart (1972) concludes that participation in illegal activity is linked to job market failure.

More recent evidence — mostly that which fails to account specifically for differences in the labour market structures faced by blacks — lends additional ambiguity to the debate. Viscusi (1986) using data with an over-representation of blacks, shows that economic incentives do affect crime rates. Grogger (1995) challenges these findings using questionable methods to control for “unobserved” attributes.

Evidence that better Wages reduce Crime

Findings that focus on blacks tend to find greater impacts of employment opportunities on crime than findings using largely white data sets. There are many possible explanations for the finding that improved employment opportunities tend to reduce crime more among blacks than whites. One that stands out concerns labour market discrimination. If employment discrimination causes many more blacks to enter crime than whites for largely economic reasons, then policies that improve labour market prospects might reduce black crime more than white crime simply because so many blacks may have turned to crime in the first place because of poor employment.

Figure 1 summarises the results of an analysis of recidivism among federal parolees in 1972. Although the data set is dated and results are based on research conducted more than a decade ago, the information is relevant because it reveals what was known at the time that criminal justice policies were chosen over labour market policies and because the data set was used to calibrate the sentencing guidelines that replaced parole when it was
abolished. The figure graphically shows the negligible impacts on post-prison crime of the severity of punishment — measured by time served before release from prison — and a sizeable perverse impact of the certainty of punishment — measured by the ratio of commitments to convictions. While criminal history has little impact on recidivism, employment history — captured by a variable indicating whether the offender had been employed more than four years before incarceration — had large disincentive effects on recidivism.4

Further evidence of employment's positive effect on reducing crime is found in an analysis of a post-prison employment program in Baltimore City (Myers 1983). The sample consisted of 432 hardcore, repeat property offenders. One-quarter received job-search assistance, one-quarter received cash subsidies equivalent to unemployment compensation, and one-quarter received neither. A last group received a combination of cash and job assistance. Follow-up information on monthly employment, earnings, and arrests was collected.5 Analysis of the program concluded that employment helps to assure that ex-offenders remain out of the criminal justice system. Looking at the monthly experiences of these released offenders, one can estimate survival probabilities as a function of the criminal justice sanctions, employment opportunities, and a host of demographic control factors. Survival in month T means that the offender was not rearrested from the time of release to that month. The certainty and severity of punishment generally have statistically insignificant impacts on survival probabilities. Wages had a remarkable impact. For every month after the first month after release from prison higher average weekly wages “raise the likelihood that an offender who succeeded in avoiding rearrest in previous months will again succeed in avoiding rearrest in that month: better wages reduce recidivism.” (Myers 1983, p. 163).

Two interesting findings from that analysis are of note. One is that for both blacks and whites, employment in the first six-months out of prison highly influenced employment success in the second six months out of prison. For each hour worked in the first six months, nearly an extra half-hour of work is predicted in the second six months. The size of these positive influences of employment success out of prison diverges, however, between blacks and whites. For blacks — who dominate the sample — the

Figure 1: Effects of Employment vs. Punishment on Recidivism, Federal Paroles, United States, 1972

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4 See Myers 1983. The analysis controls for age, education, gender, marital status, alcohol and drug use, mental health, prison punishment, type of release, type of crime, and first-offender status.

5 The sample consisted of males released from Maryland’s state prisons to the Baltimore metropolitan area who had low financial resources, were repeat offenders, had no known history of alcohol or narcotic abuses, and had not been on work release for more than three months.
impact was more than twice the size of that for whites. To be precise, the impact is .447 for the combined sample of whites and blacks; it is .468 for blacks only, 2.6 times larger than the barely significant impact of .178 for whites.

A second interesting finding is that having a job arranged when the offender is released significantly increases the number of hours blacks work but leaves unaffected the number of hours that whites worked. This is true despite the fact blacks were less likely to have jobs arranged when they were released and ultimately worked fewer hours.

Implications for Australia

A US visitor to Australia is immediately struck by the similarities of the youth labour market to the situation in America in the 1950s. Llad Phillips and Harold Votey, long pioneers in the assessment of youth labour markets and the connection to crime, noted in a path-breaking article in 1992 that youth crime rose when youth employment opportunities disappeared. They wrote with their co-author, Darold Maxwell:

It is interesting to observe that while crime rates were skyrocketing for youth, unemployment rates for eighteen- to nineteen-year-old white males rose from a low of 7.0 percent in 1952 to a peak of 16.5 percent in 1958, and were still at 9.0 percent in 1967. For non-white males the situation was even worse. In 1952 their level of unemployment was 10.0 percent; it rose to a high of 27.2 percent in 1959 and recovered to a level of 20.1 percent in the prosperity year of 1967 (Phillips & Maxwell 1972, p. 493).

These adverse impacts of unemployment on youth crime parallel adverse impacts of labour force withdrawal on crime. These authors concluded that poor labour market opportunities for youth translate into increased criminal activities.

To reach these conclusions more than twenty-five years ago, Phillips et al. needed to use aggregated data on crimes available from the Federal Bureau of Investigation’s Uniform Crime Reports. These data do not actually provide information on crimes by youth. Instead, the compilation is on arrests. Thus, the evidence about the skyrocketing crime and unemployment among white and non-white males is really evidence about a skyrocketing pattern of arrests while crime increased. Put differently, poor employment opportunities may cause youth to turn to crime but these diminished labour market rewards also trigger policies that result in increased criminal justice sanctions. It seems worthy of further exploration to determine whether those sanctions were applied differentially between black and white youth in the 1950s and 1960s in the United States. Clearly, there is evidence that such differentials exist today. But the real relevance of looking at the nexus between race and arrest as an intervening factor when labour market opportunities diminish is to understand how policies on blacks may be deeply rooted in the distress faced by whites. In the 1950s, when young white males began to face greater barriers in finding employment, black males — who also faced significant employment barriers — were increasingly blamed for rapes, robberies and other violent crimes. Black arrests for serious crimes increased and, ultimately, public attention about white youth crime and employment could be transformed into what could be perceived as a black crime problem. The central point that it was an overall youth employment crisis, not necessarily a criminal justice problem, was largely missed and forgotten.

The legacy of racism in the criminal justice system due to slavery and its aftermath is also relevant. Blacks in America are disproportionately represented in the penal system. After the Civil War a loss of a whole class of workers in Southern agriculture mandated that the prison system — already evolving as a labour-market mechanism — supply public slaves where private involuntary servitude had been abandoned. During robust economic periods, black imprisonment has slowed; during economic downturns, black imprisonment has grown (Myers & Sabol 1986).

Australians can learn from this American lesson by recognising the current wave of youth crime and delinquency is, at its root, an
economic and labour market problem. The lack of jobs faced by white youth in Australia runs the risk of being translated into harsher punitive sanctions aimed not at youth generally but at the scourges of society — be they immigrants or Aboriginal people or whoever is the Australian equivalent of African American males. By the time attention is focused on the plight of that pariah group — for example, the deaths in custody among Aboriginal males — understanding the labour market roots of the larger problem will have long vanished. Moreover, somewhat paradoxically, if they see a link at all between crime and employment, the public will perceive the larger issue of links between labour markets and crime as being the result of depressed economic conditions faced by the most criminal — as labeled by the criminal justice system. In Australia that would mean Aboriginal people, who are substantially more likely to be incarcerated than they are to be found in the general population. That deflection of attention away from the more systemic labour market distortions causing the youth employment crisis promises to obscure the potential for solving the crime problem through employment policies for Australian policy makers.

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CONCLUDING COMMENTARY

Adam Graycar:
We have been talking about sentencing, and the issue of over-representation. I would like to talk about structures and processes that will lead to positive outcomes.

The structures that are relevant to us now involve understanding culture and communication and the relationships that people have. The demography of Aboriginal Australia is a significant structural item and when combined with an understanding of lifestyle we have a set of structures that are likely to be risk-producing. We need to have a good knowledge of understandings and misunderstandings.

The processes to work our way through all of this involve understanding the relationship between health and crime, and programs to improve health which may well mitigate crime. By the same token, the processes by which customary law issues are examined and the influence (and in some cases declining literacy) of Elders has an impact. There are many programs that form part of our processes, programs in which APOSS is involved, programs supported by ATSIC and also the functioning of AJAC.

With regard to outcomes, we need to identify the flow from criminality to sentencing to over-representation to deaths in custody.

The greatest tragedy to face Australia is if we maintain the current incarceration rates, we will find our institutions will have an even greater number of Aboriginal juveniles than at present.

The AIC is releasing some information on homicide which shows homicide among Indigenous Australians is very high; certainly with Aboriginal people it is intra-ethnic. We have to look at issues of harm and lifestyle and crime, and crime that flows into harm.

Where is this Roundtable going to take us? How do we illustrate what we know? What are the important questions that need to be answered and how do we use those answers? A starting point could look something like this:

• Case studies: visibility, victimisation
• Causation, political motivation
• a Myers-style analysis of Indigenous incarceration and unemployment
• Aboriginal enterprises
• suspended sentences study.

To reduce tomorrow’s statistics we need to take action today.