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Comment

Jeffrey Smith

Introduction

Raphael's chapter contains three separate but related analyses. The first part of the chapter presents descriptive evidence on the characteristics of current convicts and recently released ex-convicts. The second part considers the demand side of the labor market for ex-convicts. It presents descriptive univariate and multivariate evidence on the characteristics of firms that report a willingness to hire individuals with criminal records. It also provides evidence on which employers collect information on the criminal histories of applicants and how they do so and on the role of occupational prohibitions on the hiring of ex-felons in firms' decisions regarding the collection of criminal background information as well as other hiring outcomes. The final part of the chapter surveys the available evidence on the effectiveness of programs that aim to improve the labor market outcomes of ex-convicts. In what follows, I review each part of the paper in turn, highlighting key results as well as limitations or alternative interpretations of the findings. I conclude by offering some suggestions for additional research and, not unrelated, for

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alternative policy responses to the very real employment problems faced by ex-convicts even in the best of labor markets.

The Supply Side: Characteristics of Criminals

Raphael does a very nice job of clearly presenting a great deal of information in a relatively small space. Two findings stood out to me as warranting some further discussion. First, the fraction of prisoners who report participating in education and training programs is surprisingly low. Prison represents an ideal time for investment in skills because opportunity costs cannot get much lower. To the extent that supply rather than demand drives this figure, it suggests a failure of policy; treating people after they get out of prison, at least with skill investment treatments, makes much less sense than treating them in prison, both due to the higher opportunity costs and because credit constraints will likely kick in for many ex-convicts once they end their spell of incarceration and reenter the outside world.

Second, I found the results on the age of first criminal activity stunning. These patterns have important implications for thinking about potential interventions to reduce both initial crime and criminal recidivism and also for thinking about the evaluation of interventions aimed at disadvantaged students in middle school and high school.

In terms of limitations, I missed two things in the data presented in this analysis. First, I would have liked to have seen a clear differentiation between regular high school completion and receipt of a general educational development (GED) diploma. We know from the literature, for example, Heckman, Humphries, and Mader (2011), that these represent quite different credentials. That a GED does not really equal a high school diploma does not mean that policy should not promote GED acquisition, but it does mean that we should collect data on the two credentials separately and discuss them separately rather than lumping them together. When the available data do not distinguish between the two (as is apparently the case here), that should affect our interpretation of the observed patterns.

Second, in addition to the conventional human capital measures such as years of schooling and work experience, it would be of great interest to know how current convicts and ex-convicts compare to the general population on measures of noncognitive skills and other noncognitive features, such as appearance, valued by employers in the labor market. I suspect that ex-convicts do worse than average on these characteristics even conditional on years of schooling and work experience. Of course, having measures of "ability" in the form of test scores would be nice too. More broadly, the more we know about the characteristics that ex-convicts bring to the labor market, the easier it is to sort out why they have trouble securing and persisting in employment and the easier it is to come up with potential interventions to improve outcomes. All these omissions reflect limitations of the underlying survey instruments rather than omissions from the analysis, but highlight-

ing these limitations in the data provides encouragement for improved data collection in the future and also enriches our understanding of the variables presently available in the data.

The Demand Side: Who Will Hire Ex-Convicts?

I found the evidence on employer willingness to hire and on the empirical importance of prohibitions on hiring ex-felons in this section clear and convincing but have a couple of interpretational comments.

First, in regard to the labor market impact of having a criminal record, it pays to think about some simple models of the labor market. As shown in Becker's (1971) classic work on labor market discrimination, the existence of some employers who will hire individuals from a particular group matters more than the existence of some employers who will not. In the simplest labor market of neoclassical economics, as long as enough employers will hire individuals from a particular group (albeit possibly at a lower wage), the entire effect of being in the disliked group manifests in terms of reduced wages, rather than employment. In this simple model, the existence and extent of a wage penalty depends on the number of employers willing to hire the ex-convicts and on the wage discount required by the marginal firm that does so. The data reassure the reader that some employers express a willingness to hire ex-convicts but provide no information about the wage differential required, a wage differential that may manifest itself not necessarily in differences in money wages within firms (which are legally constrained) but in terms of ex-convicts sorting into low-wage firms within industries. More broadly, the high rate of nonemployment among ex-convicts presents a puzzle for this model, unless it is augmented with a minimum wage. If many ex-convicts lack the skills, hard and soft, required for the value of their marginal product to exceed the minimum wage (and other hiring and firing costs), then persistently high levels of nonemployment can arise. This line of reasoning suggests the value of examining policies such a subminimum wage for ex-convicts or wage subsidies above and beyond those implicit in the existing Earned Income Tax Credit (EITC).

Search models of the labor market of the sort developed by the winners of this year's Nobel Prize add frictions to the standard model and so allow for unemployment even in good times as workers spend time and effort looking for a job and firms spend time and effort on looking for workers. The audit pair study by Pager (2003) cited in the chapter implicitly operates within the search framework. It estimates differences in requests for interviews in response to applications between (ideally) otherwise identical individuals with and without a criminal record. Putting aside issues about what counterfactual to use for the time the ex-convict spends incarcerated, the key problem with this study is that it does not provide information on an outcome we really care about. If applications do not cost much in terms of time and money, even quite large differences in the probabilities of getting an

interview, and of hiring conditional on getting an interview, are consistent with a fairly small difference in the amount of time employed. To take an extreme example, suppose that ex-convicts get an interview 10 percent of the time and that they get hired conditional on an interview only 10 percent of the time. If each application takes an hour inclusive of travel time and such and each interview takes two hours, then the expected cost of getting an offer for an ex-convict is 100 applications (= 100 hours) and 10 interviews (= 20 hours) or 120 hours or three weeks of full-time job search. This cost is much too small to generate the differences in employment rates observed in the data. Of course, to the extent ex-convicts can predict which employers prefer not to hire ex-convicts, they can do better by avoiding those employers. This all suggests either that the real issue relates to the value of what many ex-convicts can produce relative to the costs associated with hiring them or that we need a better understanding of what goes wrong in the job search process than is provided by the audit pair studies.

The multivariate analysis toward the end of this part of the chapter raises some issues both substantive and econometric. First, I am not quite sure what to make of the regressions that have an indicator for employer willingness to hire as the dependent variable and an indicator for performing a background check as an independent variable. Absent some evidence that employers make these choices in sequence, these strike me as two jointly determined outcomes, both of which should be on the left-hand side of different models. Second, I think Raphael makes too little of the fact that his estimates of the effects of employer background checks on the demographic characteristics of the most recent hire represent a Local Average Treatment Effect (LATE); see, for example, Imbens and Angrist (1994) or Angrist and Pischke (2009) for formal discussions of the economics and econometrics of LATEs. In the present context, what matters is that, as the name suggests, these estimates capture the change in outcomes for firms that do not undertake a background check if not required to do so but do undertake one when prohibited from hiring ex-felons for a given job. Put differently, it measures the effect of a background check for employers whose behavior regarding background checks is changed by the requirement not to hire ex-felons for a particular job. This parameter certainly has substantive and policy interest, but it may or may not provide much information about the effects of background checks on employment at firms that always do them, whether or not they are hiring for a position prohibited to ex-felons.

Policy Responses: Evaluating Programs Aimed at Increasing Ex-Convict Employment

Effectively summarizing the large literature on programs aimed at improving the employment chances of ex-convicts (with some additional programs aimed at at-risk youth added in) represents a daunting task. Raphael takes

the not unreasonable approach of relying on published meta-analyses of the nonexperimental literature combined with more detailed examination of some particularly interesting experimental evaluations.

I have three sets of comments on this discussion. First, I want to throw a little bit of cold water on the implicit endorsement of the "hierarchy of evidence" notion that experiments always and everywhere dominate nonexperimental evaluations. Yes, to be sure, nonexperimental studies often seem to follow Sturgeon's Law (named after science fiction writer Theodore Sturgeon) that "95 percent of everything is crap." But his law is too strong, even in a relatively weak evaluation literature like this one. My point is that random assignment evaluations solve one very important problem, namely that of nonrandom selection into treatment. As discussed in Heckman and Smith (1995, 2000) and Heckman et al. (2000), many other potential problems remain, including partial compliance with treatment assignment, selective attrition from the data, low power, and low treatment fidelity. In some experimental evaluations, one or more of these problems can do enough damage to make the experiment of lower value than a high quality nonexperimental evaluation. Thus, it pays to take studies on an individual basis, rather than judging them solely on the basis of the identification strategy they employ.

Second, I think Raphael overemphasizes the positive in reviewing the experimental evaluations. For example, the Job Corps, though notable among active labor market programs for youth in actually producing positive impacts not just on GED receipt but on actual labor market outcomes, looks less impressive in the long-term follow-up results presented in Schochet, Burghardt and McConnell (2006) and ultimately fails to pass a cost-benefit test for most participants. Along the same lines, the Job Training Partnership Act (JTPA) evaluation found no effect on youth, that is, not just no statistically significant effect but (essentially) zero or negative point estimates. More generally, increasing GED receipt without increasing earnings accomplishes little and should perhaps induce pessimism about the value of the GED rather than optimism about the value of the programs that promote them. We have much more to learn about how to make these programs effective.

Third, Raphael neglects the implications of his literature review for evaluation policy in this area. One implication of the evidence he reviews is that the social resources devoted to the evaluation of programs for ex-convicts (or future ex-convicts) might yield a larger amount of policy-relevant knowledge per dollar with a smaller number of high quality evaluations. I have in mind here the sort of research program undertaken in recent years by the Institute for Education Sciences (IES). They have lifted the quality of the entire literature that evaluates primary and secondary school programs by funding and monitoring a series of thoughtful, well-designed evaluations of important educational treatments. Almost all of these studies use either random assignment or regression discontinuity designs. They have, usually,

sample sizes adequate to pick up effects of reasonable size. The Institute of Education Sciences (2008) describes the IES strategy in greater detail; it merits consideration and replication in this policy context.

Conclusions and Extensions

As documented here and in, for example, Western (2007), the United States has a large number of current and future ex-convicts. This chapter and the broader literature make clear that the characteristics of ex-convicts suggest troubles in the labor market. Adding to these supply-side concerns, many employers face legal prohibitions on hiring ex-felons for particular occupations or face uncertainty regarding legal liability for the workplace actions of any ex-convicts they hire. These realities of the supply and demand sides of the labor market, combined with the remarkably weak evaluation record of programs aimed at improving the employability of adult ex-convicts, suggest the value of exploring some alternative lines of research and policy experimentation beyond those already mentioned.

First, much work remains to imprint on the literatures on poverty, demography, education, and low-skill labor markets the importance of considering how crime and, most particularly, incarceration, matter. The large number of Americans currently enmeshed one way or another with the criminal justice system has important implications for analyses in all of these areas but too often remains in the background or even unmentioned in otherwise high quality studies.

Second, early interventions likely have a role to play, particularly given the early age at which children initiate criminal activity according to the evidence in the first part of the chapter. James Heckman has led a recent burst of research on such programs within economics. The evidence in Heckman et al.'s (2010) careful and systematic reconsideration of the data from the famous Perry Preschool intervention shows that reductions in adult crime represent an important component of its overall impact. While further research on the very long-term impacts of such programs would add great value, so would shorter-term evaluations of programs aimed at children around the age when they are first at risk of engaging in criminal activity. Also, adding criminal outcomes to evaluations of educational interventions more generally (particularly interventions targeted at schools in disadvantaged areas) would provide the foundation for a broader understanding of how aspects of schooling affect criminal behavior and also enhance the breadth and meaningfulness of the cost-benefit analyses of such interventions. Making criminal records routinely available for such purposes with appropriate privacy protections (in the same way that earnings records from the Unemployment Insurance system now get used routinely in evaluations of active labor market programs) would speed the progress of knowledge accumulation in this area.

Third, one way to reduce the number of ex-convicts is to reduce the num-

ber of convicts, and one way to reduce the number of convicts is to reduce the number of individuals who commit crimes. One neglected strategy for reducing the number of individuals who commit crimes consists of the simple and direct expedient of reducing the number of crimes. For example, legalizing activities such as prostitution and the use and sale of recreational drugs seems promising in this regard. The United States got along just fine for much of its history prior to banning these activities and, at least in the case of prostitution, the activity remains legal in most other developed countries. Indeed, one compelling and underappreciated justification for ending the so-called War on Drugs, or at least shutting down the marijuana front in that war, is that doing so would substantially reduce the number of young men from disadvantaged backgrounds caught up in the criminal justice system at a relatively early age.

Finally, research on trial programs that expunge the criminal records of individuals thought to have clearly demonstrated integration into the labor market and a cessation of criminal activity, at least for the purposes of reporting to employers and employer liability, would illuminate their potential to improve the labor market success of ex-convicts. Such programs could improve outcomes both directly by removing some ex-convicts from among those prohibited to work in certain occupations or who show up as ex-convicts in employer background checks, and indirectly, by adding an additional incentive for good behavior during the time period over which reintegration is measured. A related treatment worth evaluating would remove arrests (as opposed to convictions) from the criminal records made available to employers on the grounds that people should be treated as innocent until proven guilty in a court of law. It seems odd to this observer that any police officer who gets it into his or her head to arrest someone can thereby reduce their labor market prospects for life.

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