

# Racketeering or Rehabilitation

The Center for Advanced Studies  
Crossroad Bible Institute  
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According to the U.S. Department of Justice, all able-bodied people in prison are required to work in some capacity.<sup>1</sup> Tasks range from plumbing and painting to factory work and telemarketing and are designed to provide incarcerated people with the necessary experience and discipline to become productive members of society upon their release. Until recently, imprisoned people either worked for their particular correctional institution or for the federal government under the umbrella of Federal Prison Industries, Inc. (FPI; trade name UNICOR). These full-time jobs pay anywhere from \$0.12 to \$1.15 per hour,<sup>2</sup> and under the Inmate Financial Responsibility Program (IFRP), prison administrators strongly encourage all people in prison to develop a “financial payment plan.” Now that this plan is in effect, imprisoned workers keep only a fraction of their already minimal wages, and use the remainder to pay direct restitution to victims or to contribute to the Crime Victims Fund, set up by the Victims of Crime Act of 1984. In 2004, imprisoned workers contributed over \$9.5 million to various victim-assistance programs.<sup>3</sup>

When FPI was founded in the 1930s, Congress placed limits on it in order to minimize the company’s impact on domestic commerce—namely, FPI could only sell its goods to government and non-profit agencies (in fact, it was the “mandatory source” for government agencies, which meant that if an agency were to need a product offered by

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<sup>1</sup> United States. Dept. of Justice, *FY 2002 Performance Report*.

<sup>2</sup> “Work Programs,” Federal Bureau of Prisons [http://www.bop.gov/inmate\\_programs/work\\_prgms.jsp](http://www.bop.gov/inmate_programs/work_prgms.jsp) (accessed August 9, 2005).

<sup>3</sup> “Inmate Financial Responsibility Program,” Federal Bureau of Prisons [http://www.bop.gov/news/victim\\_witness\\_notice.jsp#2](http://www.bop.gov/news/victim_witness_notice.jsp#2) (accessed August 10, 2005).

FPI, it was obligated to purchase it exclusively from this source). In recent years, however, FPI has begun selling “services” to private companies who then outsource their recycling, printing, laundry and telemarketing needs to FPI-employed workers in prison.<sup>4</sup> As FPI employees are still paid less than a dollar per hour, the company has been able to provide “all the benefits of domestic outsourcing at off shore prices.”<sup>5</sup>

The outcry of many union leaders, government officials and private businesses has been swift and loud. Crossroad Bible Institute also has a vested interest in the plight of inmate workers. In response, The Center for Advanced Studies at CBI seeks to answer the following questions: should prisoners be employed at less than minimum wage?<sup>6</sup> Does this practice obstruct rehabilitation? Should men and women behind bars be employed in the service industry, or are the risks too great? How does this impact the U.S. consumer and domestic commerce? This essay specifically strives to examine the consequences (intended or not) of employing people in prison at low wages—all from the *imprisoned person’s* point of view (as opposed to the competitive business perspective), especially as he/she re-enters society and seeks gainful employment. In order to answer these questions, we must first understand the circumstances in which most imprisoned people find themselves prior to their incarceration.

## **Background of Prison Population**

In 1997 (most recent data for the below-cited statistics), roughly 57% of state and federally imprisoned people had a high school diploma or its equivalent<sup>7</sup> (This figure excludes incarcerated juveniles; their inclusion drops the figure significantly below 50%,

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<sup>4</sup> Steve Schwalb, Chief Operating Officer of FPI, told *NPR* that FPI only sells those services that have already been expatriated by private firms and that no longer exist in the United States.

<sup>5</sup> “Contact Center: A Community Service and a Valuable Employer Resource,” UNICOR, Federal Prison Industries, Inc. 18 [http://www.unicor.gov/services/contact\\_helpdesk/](http://www.unicor.gov/services/contact_helpdesk/) (accessed August 12 2005)

<sup>6</sup> Prisoners are exempt from the Fair Labor Standards Act (FLSA).

<sup>7</sup> “Criminal Offenders Statistics,” Bureau of Justice Statistics <http://www.ojp.usdoj.gov/bjs/crimoff.htm#inmates> (accessed August 16, 2005).

considering that much of their would-be high school years are spent in detention centers). Approximately 31% of people in jail grew up in a family where one or more parents or guardians abused alcohol or drugs.<sup>8</sup> According to the Re-Entry Policy Council, “About two-thirds of people in prison and jail were employed—either full- or part-time—during the month before they were arrested for their current offense. Despite this relatively high employment rate, research indicates that individual earnings prior to incarceration are low. For example, of those in jail who were employed before their most recent arrest, the median income was less than \$1,000 per month.”<sup>9</sup> Even if a person was employed prior to incarceration, then, he/she was most likely severely *underemployed*.

With few proper role models, little education and almost no experience earning an income above the poverty threshold, it is clear that today’s incarcerated men and women are lacking important vocational, communication and social skills.

If the intent of imprisonment is truly to rehabilitate the imprisoned person, then it is clear that some form of vocational training and/or experience is necessary to help imprisoned people gain fruitful employment. Some may protest the type of labor available to people behind bars (primarily low-skilled production and service employment), but here it is important to recall the average education level of state and federally imprisoned people. To be both fair and realistic, low-skilled jobs are often the only jobs people in prison may effectively maintain. It is not a matter of forcing low-level jobs onto a “captive audience.” Instead, it is simply a matter of applying appropriate labor to a particular workforce demographic.

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<sup>8</sup> “Profile of Jail Inmates, 2002,” U.S. Department of Justice <http://www.ojp.usdoj.gov/bjs/pub/pdf/pji02.pdf> (accessed August 15, 2005).

<sup>9</sup> “Education and Vocation Training,” Re-Entry Policy Council <http://reentrypolicy.org/ps15-education-and-vocation-training.html#1-anchor> (accessed August 15, 2005).

Among these low-skilled jobs are the telemarketing positions now being filled by imprisoned workers. Some protest these jobs, finding it inherently dangerous to employ people with criminal records in such a manner.

### **Impact on U.S. Consumer**

Many of these critics point to an incident in early 2000, when an imprisoned person in the Utah Department of Corrections spoke with and solicited personal information from a 15-year-old girl in Texas. He then sold her personal information to another inmate in the prison. The new owner of the girl's contact information then proceeded to send the girl suggestive letters. As one can imagine, the public uproar was enough to persuade the Utah D.O.C. to end the program, closing the call center that had employed 130 people behind bars.

Most can agree that this was a poorly-conceived business plan; however, are contemporary prison call centers similarly "risky"? It appears not. For instance, at one Oregon D.O.C. call center, calls are recorded and the phone numbers are randomly generated by a computer. The inmate employees speak only to other business employees, not directly to consumers, and those convicted of identity theft are not permitted to work at the center.<sup>10</sup> At all FPI-run call centers, people serving sentences are not permitted to contact private citizens in their homes.<sup>4</sup>

### **Impact on U.S. Imprisoned Worker, pt. 1**

Other critics claim that the call center positions are useless, as these types of jobs no longer exist in the United States due to off-shore out-sourcing. While admittedly rare, some incarnated people continue on with their positions after their release. Katey Grabenhorst, formerly incarcerated in Oregon, now works for the same DMV that hired

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<sup>10</sup> Jon Swartz, "Inmates Vs. Outsourcing," *USA Today* 6 July, 2004.

her in prison. She told *USA Today*, “(The job) brought self-esteem, order, skills and a stable income to my life. If this program wasn’t available, I would have probably ended up back in prison.”<sup>8</sup> As a result of prison employment, many people like Grabenhorst help improve their communication skills, self-esteem and job skills all of which lead to future employment.

The purpose of telemarketing in prison, it appears, is not to give imprisoned people direct, real-world experience, but to help them develop real-world skills in a practical manner. Alfreda Robinson, a formerly incarcerated in a federal prison, told *NPR* that she appreciated speaking with people over the phone who did not automatically judge her negatively because she was a prisoner (imprisoned workers are not required to identify themselves over the phone). “It gives you a little dose of humanity in a place that’s kind of void of it.”<sup>11</sup> Robinson now works for a corporate office in Baltimore.

### **Impact on Private Sector**

Referring to private companies that outsource to FPI in order to pay the inmate workers less than the minimum wage, research economist for Communications Workers of America, Tony Daley told *USA Today* “Quite literally, they’re taking advantage of a captive audience,” said Tony Daley, research economist for the Communications Workers of America, to *USA Today*.<sup>8</sup> Tim Maney, director of legislative affairs for the U.S. Chamber of Commerce, echoed this sentiment to *NPR*, “We do not believe Federal Prison Industries should continue its unfettered expansion into the commercial marketplace. The business community is extremely concerned with this.”<sup>12</sup> Other opponents claim that the FPI-outsourcing private companies are perhaps *more* devious than their offshore-outsourcing competitors, as the former can claim to only hire U.S.

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<sup>11</sup> Laura Sullivan, “Prison Call Centers Put Squeeze on Service Sector,” *NPR* 23 Feb. 2005.

workers, yet still pay a non-U.S. wage. As companies that outsource to foreign soil are sometimes viewed as greedy traitors, any company that claims to employ only in the U.S.A. often appears honest and even patriotic.

However, FPI-outsourcing carries its own unique public-relations risks. For instance, in 2003, Dell Inc. contracted with UNICOR and suffered negative publicity when the Silicon Valley Toxics Coalition complained that the computer manufacturer was unfairly competing with “private sector recycling and thus deter[ing] the vitally needed development of the private sector infrastructure for domestic waste recycling.”<sup>12</sup> Soon after, Dell canceled its UNICOR contract and allied with two other domestic private firms that do not use the prison labor force.

It is important to note here a distinction between private companies that outsource services and factories to prisons independent of FPI, and those that outsource to FPI as their middleman. According to the Fair Labor Standards Act, private sector firms that outsource directly to a prison must pay people in prison the prevailing wage (often higher than minimum wage, depending upon the job).<sup>13</sup> These private sector firms still manage to pay less than their private-citizen-employing counterparts as people in prison do not receive health or retirement benefits or worker’s compensation. Those firms that utilize FPI as their middleman avoid paying the prevailing wage as FPI is exempt from this requirement.

Either way, imprisoned workers typically make similar wages: if a private sector firm employs them, their prison may deduct any or all of the following: federal, state and local taxes, “reasonable charges for room and board, as determined by regulations issued

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<sup>12</sup> Robert McMillan, “Dell Drops Prison-Labor Recycling Deal,” *PC World* July 7, 2003.

<sup>13</sup> “Transportation or Importation of Prison-Made Goods,” 18 USC, pt. I, ch. 85, sec. 1761 <http://uscode.house.gov/download/pls/18C85.txt> (accessed August 18, 2005).

by the chief state correctional officer, in the case of a state prisoner, allocations for support of family pursuant to state statute, court order, or agreement by the offender (and contributions to any fund established by law to compensate the victims of crime of not more than 20 per centum but not less than 5 per centum of gross wages”<sup>14</sup> (the latter often in the form of the IFRP). All of these deductions combined may reduce by 80 % the worker’s gross wages.<sup>14</sup>

Many private companies find FPI’s “mandatory source” status problematic for government agencies, as the law allowed no private sector competition. During the early days of FPI, this policy had little impact on the private sector, as there were fewer workers behind bars to employ and fewer government agencies. In 1960, FPI only sold \$29 million worth of goods.<sup>14</sup> However, sales climbed to \$119 million by 1980, and many companies began to complain that “mandatory source” was antiquated harmful to the private sector. In 2002, FPI made \$678.7 million in sales.<sup>17</sup> This law has particularly upset office furniture and electronics manufacturers, as their products would be most valuable to government agencies. For instance, Rep. Hoekstra told *Government Executive* that while FPI expanded by 25 %, the office-furniture industry shrank by 30-40%.

In 2002 this policy began to change under pressure from the private sector. In that year, Congress passed the National Defense Authorization Act,<sup>15</sup> which maintained that, if any Defense Department agency found FPI’s product to be incomparable to any private company’s product (whether in price, quality or speed of delivery), the agency was required to hold a bidding competition that included private companies. As a result,

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<sup>14</sup> K. Daniel Glover, “Prison Labor Program Under Fire by Lawmakers, Private Industry,” *Government Executive* April 12, 2004.

<sup>15</sup> “NDAA P.L. 107-107,” Where in Federal Contracting? <http://www.wifcon.com/dod811.htm> (accessed August 17, 2005).

FPI has already lost its contract to provide gloves to the military, as Glamour Glove of Long Island, New York, won the bid.<sup>13</sup> Then, in 2005, that private sector option was extended to civilian government agencies after Congress passed the Federal Acquisition Circular 2005-03.<sup>16</sup>

First, it is important to remember that as long as foreign outsourcing is a viable option for U.S. companies, it will be utilized. With low-skilled Indian call-center workers making \$1 or less per hour, wages paid to workers abroad are comparable to wages paid to domestic imprisoned workers. Outsourcing abroad also allows a company to avoid paying Social Security/Medicare benefit payments, federal or state unemployment tax, health benefits and worker retirement benefits. With FPI, private businesses that outsource to prisons are achieving a similar cost-efficiency while repatriating foreign jobs (and, as a result of the recent curtails of FPI's dominion, affecting the domestic economy significantly less), and without FPI, private businesses are minimally affecting the U.S. economy, and also keeping jobs domestic that would otherwise be offshore.

### **Impact on U.S. Imprisoned Worker, pt. 2**

More importantly, prison-outsourcing should be evaluated through its effect on incarcerated workers. With sensible rules and checks in place, outsourced inmate jobs *can* prove to be valuable tools for reentry and vocational skills. As long as companies are permitted to outsource service jobs (and it is unlikely that any future political move will cripple this ability), they should outsource them domestically, where basic human rights are respected. The service industry should not be shunned, but rather embraced as

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<sup>16</sup> "FAC 2005-03 Permits Purchases From Federal Prisons Only If They Are Best Value," Federal Contracts Perspective <http://www.fedgovcontracts.com/newsltr/fcp6-5.htm> (accessed August 17, 2005).

another venue in which imprisoned people may develop skills to succeed once outside the prison walls.

Some question how people released from prison are expected to successfully adapt to life *outside* without the financial fruits of their labors *inside*. However, it appears that the vocational experience gained in prison is enough to drastically lower the recidivism rate. According to the FPI website, “Inmates who worked in prison industries or completed vocational and apprenticeship programs were 24% less likely to recidivate and 14% more likely to be gainfully employed.”<sup>17</sup>

Also, one must keep in mind that nearly all men and women behind bars receive their room and board free of charge, a gift from the taxpayer. In 2001, the average annual operating cost of each state incarcerated person was \$22,650, and \$22,632 for each federally incarcerated person<sup>18</sup> (These numbers shoot to over \$25,000 annually when imprisoned juveniles are included, as the latter may cost the taxpayer up to \$100,000 annually). Thus, despite an income as low as \$0.12 per hour, a person in prison still “earns” as much as he/she might expect at a similar job on the outside. Indeed, the state/federal government will pay the requisite amount for an incarcerated person regardless of whether he/she works or not, so helping the U.S. economy in any way by producing goods and providing services as an incarcerated individual is certainly to be encouraged. In addition, time in prison should be focused on rehabilitation, not on wealth-building.

Most imprisoned people have either never possessed or never wisely managed an income above the poverty threshold. Thus, prison, of all places, should not hastily

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<sup>17</sup> “Fact or Fiction,” UNICOR, Federal Prison Industries, Inc. [http://www.unicor.gov/about/faqs/fact\\_fiction/](http://www.unicor.gov/about/faqs/fact_fiction/) (accessed August 10, 2005).

<sup>18</sup> “State Prison Expenditures, 2001,” Bureau of Justice Statistics <http://www.ojp.usdoj.gov/bjs/pub/ascii/spe01.txt> (accessed August 10, 2005).

provide incarcerated people with opportunities to amass unmanageable wealth. Rather, prisons should teach incarcerated people to manage what they will earn upon their release. The FDIC recognized this need in July of 2004, when it implemented its *Money Smart* program and provided financial management education to approximately 10,000 prisoners.

Seven years earlier, in 1997, CBI first published its own financial management course, titled *In God We Trust*. In 2007, CBI also published a financial management manual entitled *Three Simple Rules*. Unlike the FDIC's efforts, both CBI's correspondence course and the financial manual are based the foundation of the Bible and the message of Christian stewardship and worship. Both the manual and the correspondence course attempt to give people in prison a transcendent meaning to work and financial management through recognizing God as the source of all things, and describing the Christian role of stewardship, service and generosity. CBI students also receive the book *Work: The Meaning of Your Life*, by Lester De Koster. Faith-based discipleship alone accounts for considerably lower recidivism rates among men and women behind bars, and CBI's faith-based education effectively combines two recognized methods of recidivism-rate reduction: God and schooling.

Having completed the above course and having read the accompanying book, Martin O., a CBI student from Arizona, had the following to say upon being laid-off from his prison job:

I make \$.35 an hour, but I miss working. Before I gave my heart to Jesus, I didn't see work the same way; now I believe God made us to work; it's part of His creation. I encourage guys going home to work. So many get out and don't keep a job—I believe it's a huge part of why so many return to prison. I enjoyed the book because it opened my eyes to things I hadn't thought about before. It was a good reminder that I am working for God; in working for man I work for God. I will check my morality more often when I make decisions at work. I don't believe you can call yourself a Christian and not work and do your best for man and God at work.

## **Conclusion**

The guiding purpose of imprisonment is to confine a person while simultaneously re-enabling him/her to join society at some definite point in the future. As long as he/she lacks positive role models and remains inexperienced and jobless/poverty-stricken, an incarcerated person will not officially “join” society, but will continue to be outcast and deprived of the financial and psychological advantages productive citizens enjoy. If we, as tax-paying citizens, truly wish all those people within our national borders to successfully make an honest living, we must provide incarcerated individuals the ability to reconcile their delinquency by gaining the experience and knowledge necessary to enter society.

Outsourcing jobs to U.S. prisons can help fulfill this mission by providing imprisoned people with real-world experience and real-world exposure and acceptance. Also, paying imprisoned workers wages considerably lower than the minimum according to the FLSA is not an intolerable injustice, but rather a reasonable measure, considering the amount of tax funds appropriated for each incarnated person.

Finally, instead of mismanaging newly-acquired money, incarnated people should receive some sort of financial education. With this training, they will be better equipped to save and spend wisely upon release. Furthermore, employable skills and financial training taught with biblical direction drastically improves an incarcerated person’s chances for successful transition into society. Therefore, vocational experience, courses in financial management and spiritual discipleship are all necessary in order to prepare imprisoned people for successful reentry.